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# Victor Khanye Local Municipality
# Financial statements
# for the year ended 30 June 2014

## General Information

| | |
|---|---|
| **Legal form of entity** | Municipality |
| **Nature of business and principal activities** | Provision of municipal services |
| **Mayoral committee** | |
| Executive Mayor | Makhabane EN |
| Councillors | Ward 1 - Nhlapo MM |
| | Ward 2 - Yeko BD |
| | Ward 3 - Mlambo LN |
| | Ward 4 - Buda KV |
| | Ward 5 - Ngoma HM (Council Whip) |
| | Ward 6 - Shabangu ET |
| | Ward 7 - Zulu ZJM |
| | Ward 8 - Bath DJ |
| | Ward 9 - Nkabinde SS |
| | Proportional - Mahlangu SH |
| | Proportional - Makhabane EN |
| | Proportional - Maluleka TM |
| | Proportional - Rautenbach M |
| | Proportional - Shabalala B |
| | Proportional - Nyathi BJ |
| | Proportional - Mokoena BN |
| | Proportional - Segone RK |
| **Grading of local authority** | Grade 3<br>Medium capacity<br>MP311 |
| **Accounting Officer** | Mohlala BM (Acting) |
| **Chief Finance Officer (CFO)** | Barnard C |
| **Registered office** | Municipal Building<br>c/o Samuel and Van der Walt Street<br>Delmas<br>2210 |
| **Business address** | Municipal Building<br>c/o Samuel and Van der Walt Street<br>Delmas<br>2210 |
| **Auditors** | Auditor General of South Africa |

# Index

The reports and statements set out below comprise the financial statements presented to the council:



The following supplementary information does not form part of the financial statements and is unaudited:

Appendixes:

# Index

**Abbreviations**

| | |
|---|---|
| PRMA | Post Retirement Medical Aid |
| SARS | South African Revenue Service |
| DBSA | Development Bank of South Africa |
| GRAP | Generally Recognised Accounting Practice |
| MPRA | Municipal Property Rates Act |
| IAS | International Accounting Standards |
| IMFO | Institute of Municipal Finance Officers |
| IPSAS | International Public Sector Accounting Standards |
| MSIG | Municipal Systems Improvement Grant |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant |
| CFO | Chief Financial Officer |
| MSA | Municipal Systems Act |
| VAT | Value Added Tax |

# Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors and their report is presented on page 5.

The financial statements set out on pages 5 to 78, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2014 and were signed on its behalf by:

**Accounting Officer**
**Acting Municipal Manager - BM Mohlala**

# Statement of Financial Position as at 30 June 2014

| Figures in Rand | Note(s) | 2014 | 2013 Restated* |
|---|---|---|---|
| **Assets** | | | |
| Current Assets | | | |
| Inventories | 9 | 1 404 842 | 1 313 344 |
| Other financial assets | | 124 735 | 92 920 |
| Receivables from exchange transactions | 10 | 3 324 944 | 3 330 641 |
| Consumer debtors | 11 | 105 988 552 | 188 496 052 |
| Cash and cash equivalents | 12 | 4 022 065 | 31 882 337 |
| | | **114 865 138** | **225 115 294** |
| Non-Current Assets | | | |
| Investment property | 4 | 32 263 732 | 35 059 315 |
| Property, plant and equipment | 5 | 1 340 271 419 | 1 339 297 623 |
| Intangible assets | 6 | 5 603 350 | 5 603 350 |
| Heritage assets | 7 | 994 590 | 994 590 |
| | | **1 379 133 091** | **1 380 954 878** |
| **Total Assets** | | **1 493 998 229** | **1 606 070 172** |
| **Liabilities** | | | |
| Current Liabilities | | | |
| Other financial liabilities | 14 | 3 952 565 | 3 132 251 |
| Payables from exchange transactions | 17 | 41 086 535 | 34 052 112 |
| VAT payable | 18 | 90 858 093 | 61 836 936 |
| Consumer deposits | 19 | 1 491 078 | 1 445 707 |
| Unspent conditional grants and receipts | 13 | - | 670 960 |
| | | **137 388 271** | **101 137 966** |
| Non-Current Liabilities | | | |
| Other financial liabilities | 14 | 19 483 537 | 8 134 820 |
| Employee benefit obligation | 8 | 36 846 298 | 30 347 311 |
| Provisions | 15 | 12 046 934 | 11 467 810 |
| Long-service awards | 16 | 4 795 721 | 4 283 796 |
| | | **73 172 490** | **54 233 737** |
| **Total Liabilities** | | **210 560 761** | **155 371 703** |
| **Net Assets** | | **1 283 437 468** | **1 450 698 469** |
| Accumulated surplus | | 1 283 437 468 | 1 450 698 469 |

* See Note 2 & 41

## Statement of Financial Performance

| Figures in Rand | Note(s) | 2014 | 2013 Restated* |
| --- | --- | --- | --- |
| **Revenue** | | | |
| **Revenue from exchange transactions** | | | |
| Service charges | 22 | 160 822 238 | 123 403 080 |
| Rental of facilities and equipment | | 2 304 548 | 2 230 752 |
| Interest received (Consumer Debtors) | | 21 526 047 | 18 602 306 |
| Income from agency services | | 16 170 527 | 8 421 198 |
| Licences and permits | | 2 615 950 | 2 908 107 |
| Insurance claims received | | 2 749 566 | 418 356 |
| Sundry service charges received | | 906 838 | 798 304 |
| Commissions received | | 58 644 | 6 162 |
| VAT - Grant sundry income | | 2 514 777 | 2 610 724 |
| Special readings | | 52 222 | 27 323 |
| Other income | 24 | 2 177 064 | 982 353 |
| Interest received - Bank | | 771 921 | 1 298 173 |
| **Total revenue from exchange transactions** | | **212 670 342** | **161 706 838** |
| **Revenue from non-exchange transactions** | | | |
| **Taxation revenue** | | | |
| Property rates | 21 | 43 855 098 | 40 112 921 |
| **Transfer revenue** | | | |
| Government grants & subsidies | 23 | 95 844 669 | 89 047 161 |
| Fines | | 123 962 | 262 972 |
| **Total revenue from non-exchange transactions** | | **139 823 729** | **129 423 054** |
| **Total revenue** | 20 | **352 494 071** | **291 129 892** |
| **Expenditure** | | | |
| Employee related costs | 26 | (95 827 595) | (83 580 648) |
| Remuneration of councillors | 27 | (5 892 045) | (5 438 254) |
| Depreciation and amortisation | 31 | (52 055 166) | (50 118 059) |
| Finance costs | 32 | (4 311 190) | (909 500) |
| Debt impairment | 28 | (185 578 932) | 90 859 236 |
| Collection costs | | - | (22 973) |
| Repairs and maintenance | | (19 415 280) | (14 419 283) |
| Bulk purchases | 36 | (91 981 071) | (65 951 949) |
| Contracted services | 34 | (18 163 493) | (13 232 914) |
| Grants and subsidies paid | 35 | (10 878 039) | (13 513 474) |
| General Expenses | 25 | (36 054 724) | (34 608 480) |
| **Total expenditure** | | **(520 157 535)** | **(190 936 298)** |
| **Operating (deficit) surplus** | | **(167 663 464)** | **100 193 594** |
| Fair value adjustments | 30 | 31 815 | 20 705 |
| **(Deficit) surplus for the year** | | **(167 631 649)** | **100 214 299** |

* See Note 2 & 41

# Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2014

## Statement of Changes in Net Assets

| Figures in Rand | Accumulated surplus | Total net assets |
|---|---|---|
| Opening balance as previously reported | 691 110 090 | 691 110 090 |
| Adjustments | | |
| Prior year adjustments | 659 374 080 | 659 374 080 |
| **Balance at 01 July 2012 as restated*** | **1 350 484 170** | **1 350 484 170** |
| Changes in net assets | | |
| Surplus for the year | 100 214 299 | 100 214 299 |
| Total changes | 100 214 299 | 100 214 299 |
| Opening balance as previously reported | 1 442 122 221 | 1 442 122 221 |
| Adjustments | | |
| Correction of errors of 2013 | 8 576 248 | 8 576 248 |
| **Restated* Balance at 01 July 2013 as restated*** | **1 450 698 469** | **1 450 698 469** |
| Changes in net assets | | |
| Surplus for the year | (167 631 649) | (167 631 649) |
| Total changes | (167 631 649) | (167 631 649) |
| **Balance at 30 June 2014** | **1 283 066 820** | **1 283 066 820** |

Note(s)

* See Note 2 & 41

# Cash Flow Statement

| Figures in Rand | Note(s) | 2014 | 2013 Restated* |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| **Receipts** | | | |
| Taxation | | 43 855 098 | 40 112 921 |
| Sale of goods and services | | 160 822 238 | 123 403 080 |
| Grants | | 95 844 669 | 89 047 161 |
| Interest income | | 22 297 968 | 19 900 479 |
| Undefined difference | | (8 622 928) | (90 859 235) |
| Other cash item | | 21 514 866 | 53 535 200 |
| | | 335 711 911 | 235 139 606 |
| **Payments** | | | |
| Employee costs | | (95 827 595) | (83 580 648) |
| Suppliers | | (228 515 958) | (191 846 427) |
| Finance costs | | (4 311 190) | (909 500) |
| Other payments | | (5 892 045) | (5 438 254) |
| | | (334 546 788) | (281 774 829) |
| **Net cash flows from operating activities** | 37 | **1 165 123** | **(46 635 223)** |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 5 | (65 389 722) | 19 998 848 |
| Proceeds from sale of biological assets that form part of an agricultural activity | | - | (21 455 470) |
| Investment Properties | | - | (21 455 470) |
| Other financial asset | | - | (20 705) |
| **Net cash flows from investing activities** | | **(65 389 722)** | **(1 477 327)** |
| **Cash flows from financing activities** | | | |
| Repayment of other financial liabilities | | 12 169 031 | (675 055) |
| Movement in long-service awards | | 511 925 | - |
| Consumer deposits | | - | 37 004 |
| Finance lease payments | | - | (229 433) |
| Other cash item | | 23 683 371 | 55 224 862 |
| **Net cash flows from financing activities** | | **36 364 327** | **54 357 378** |
| **Net increase/(decrease) in cash and cash equivalents** | | **(27 860 272)** | **6 244 828** |
| Cash and cash equivalents at the beginning of the year | | 31 882 337 | 25 637 509 |
| **Cash and cash equivalents at the end of the year** | 12 | **4 022 065** | **31 882 337** |

* See Note 2 & 41

# Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | | | | | |
| **Financial Performance** | | | | | | | | | | | |
| Property rates | 27 687 420 | 15 732 720 | 43 420 140 | - | | 43 420 140 | 43 855 098 | | 434 958 | 101 % | 158 % |
| Service charges | 167 337 640 | (19 895 901) | 147 441 739 | - | | 147 441 739 | 160 822 238 | | 13 380 499 | 109 % | 96 % |
| Investment revenue | 1 200 000 | (294 575) | 905 425 | - | | 905 425 | 771 921 | | (133 504) | 85 % | 64 % |
| Transfers recognised - operational | 57 219 000 | 3 905 000 | 61 124 000 | - | | 61 124 000 | 58 108 960 | | (3 015 040) | 95 % | 102 % |
| Other own revenue | 37 680 099 | 637 315 | 38 317 414 | - | | 38 317 414 | 51 231 960 | | 12 914 546 | 134 % | 136 % |
| **Total revenue (excluding capital transfers and contributions)** | **291 124 159** | **84 559** | **291 208 718** | **-** | | **291 208 718** | **314 790 177** | | **23 581 459** | **108 %** | **108 %** |
| Employee costs | (102 907 281) | 18 171 486 | (84 735 795) | - | - | (84 735 795) | (95 827 595) | - | (11 091 800) | 113 % | 93 % |
| Remuneration of councillors | (6 155 770) | 802 018 | (5 353 752) | - | - | (5 353 752) | (5 892 045) | - | (538 293) | 110 % | 96 % |
| Debt impairment | (46 772 442) | 27 591 610 | (19 180 832) | | | (19 180 832) | (185 578 932) | - | (166 398 100) | 968 % | 397 % |
| Depreciation and asset impairment | (5 979 419) | - | (5 979 419) | | | (5 979 419) | (52 055 166) | - | (46 075 747) | 871 % | 871 % |
| Finance charges | (5 951 484) | 4 499 399 | (1 452 085) | - | - | (1 452 085) | (4 311 190) | - | (2 859 105) | 297 % | 72 % |
| Materials and bulk purchases | (58 307 991) | (36 158 546) | (94 466 537) | - | - | (94 466 537) | (91 981 071) | - | 2 485 466 | 97 % | 158 % |
| Transfers and grants | (150 610) | (8 081 768) | (8 232 378) | - | - | (8 232 378) | (10 878 039) | - | (2 645 661) | 132 % | 7 223 % |
| Other expenditure | (67 017 438) | (1 747 205) | (68 764 643) | - | - | (68 764 643) | (73 633 497) | - | (4 868 854) | 107 % | 110 % |
| **Total expenditure** | **(293 242 435)** | **5 076 994** | **(288 165 441)** | **-** | **-** | **(288 165 441)** | **(520 157 535)** | **-** | **(231 992 094)** | **181 %** | **177 %** |
| **Surplus/(Deficit)** | **(2 118 276)** | **5 161 553** | **3 043 277** | **-** | | **3 043 277** | **(205 367 358)** | | **(208 410 635)** | **(6 748)%** | **9 695 %** |

# Victor Khanye Local Municipality

Financial Statements for the year ended 30 June 2014

## Appropriation Statement

Figures in Rand

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Transfers recognised - capital | 890 000 | - | 890 000 | - | | 890 000 | 37 735 709 | | 36 845 709 | 4 240 % | 4 240 % |
| **Surplus (Deficit) after capital transfers and contributions** | **(1 228 276)** | **5 161 553** | **3 933 277** | **-** | | **3 933 277** | **(167 631 649)** | | **(171 564 926)** | **(4 262)%** | **13 648 %** |
| **Surplus/(Deficit) for the year** | **(1 228 276)** | **5 161 553** | **3 933 277** | **-** | | **3 933 277** | **(167 631 649)** | | **(171 564 926)** | **(4 262)%** | **13 648 %** |

**Capital expenditure and funds sources**

**Cash flows**

| | Original budget | Budget adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. council approved policy) | Final budget | Actual outcome | Unauthorised expenditure | Variance | Actual outcome as % of final budget | Actual outcome as % of original budget |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Net cash from (used) operating | - | - | - | - | | - | 1 165 123 | | 1 165 123 | DIV/0 % | DIV/0 % |
| Net cash from (used) investing | - | - | - | - | | - | (65 389 722) | | (65 389 722) | DIV/0 % | DIV/0 % |
| Net cash from (used) financing | - | - | - | - | | - | 36 364 327 | | 36 364 327 | DIV/0 % | DIV/0 % |
| **Net increase/(decrease) in cash and cash equivalents** | **-** | **-** | **-** | **-** | | **-** | **(27 860 272)** | | **(27 860 272)** | **DIV/0 %** | **DIV/0 %** |
| Cash and cash equivalents at the beginning of the year | - | - | - | - | | - | 31 882 337 | | 31 882 337 | DIV/0 % | DIV/0 % |
| **Cash and cash equivalents at year end** | **-** | **-** | **-** | **-** | | **-** | **4 022 065** | | **(4 022 065)** | **DIV/0 %** | **DIV/0 %** |

## Appropriation Statement

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|---|---|---|---|
| **2013** | | | | |
| **Financial Performance** | | | | |
| Property rates | | | | 40 112 921 |
| Service charges | | | | 123 403 080 |
| Investment revenue | | | | 1 298 173 |
| Transfers recognised - operational | | | | 55 634 148 |
| Other own revenue | | | | 37 289 262 |
| **Total revenue (excluding capital transfers and contributions)** | | | | **257 737 584** |
| Employee costs | - | - | - | (83 580 648) |
| Remuneration of councillors | - | - | - | (5 438 254) |
| Debt impairment | - | - | - | 90 859 236 |
| Depreciation and asset impairment | - | - | - | (50 118 059) |
| Finance charges | - | - | - | (909 500) |
| Materials and bulk purchases | - | - | - | (65 951 949) |
| Transfers and grants | - | - | - | (13 513 474) |
| Other expenditure | - | - | - | (62 283 650) |
| **Total expenditure** | **-** | **-** | **-** | **(190 936 298)** |
| **Surplus/(Deficit)** | | | | **66 801 286** |
| Transfers recognised - capital | | | | 33 413 013 |
| **Surplus (Deficit) after capital transfers and contributions** | | | | **100 214 299** |
| **Surplus/(Deficit) for the year** | | | | **100 214 299** |

**Capital expenditure and funds sources**

## Appropriation Statement

Figures in Rand

| | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated audited outcome |
|---|---|---|---|---|
| **Cash flows** | | | | |
| Net cash from (used) operating | | | | (46 635 223) |
| Net cash from (used) investing | | | | (1 477 327) |
| Net cash from (used) financing | | | | 54 357 378 |
| **Net increase/(decrease) in cash and cash equivalents** | | | | **6 244 828** |
| Cash and cash equivalents at the beginning of the year | | | | 25 637 509 |
| **Cash and cash equivalents at year end** | | | | **31 882 337** |

# Accounting Policies

## 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

**Trade receivables**

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

**Impairment testing**

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

**Useful lives of property, plant and equipment and other assets**

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

# Accounting Policies

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

**Post retirement benefits**

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

**Effective interest rate**

The municipality used the prime interest rate to discount future cash flows.

**Allowance for impairment**

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one reporting period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or assets, or a combination of assets and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

| **Item** | **Average useful life** |
|---|---|
| Land and Buildings - Land | Indefinite |
| Land and Buildings - Buildings | 50 years |
| Moveable assets | |
| • Furniture and fittings | 7 |
| • Emergency equipment | 20 |
| • Motor Vehicles | 5 - 10 |
| • Plant and equipment | 5 |
| • Office equipment | 3 - 5 |
| Infrastructure | |
| • Electricity | 5 - 60 years |
| • Roads | 2 - 50 years |
| • Water | 5 - 100 years |
| • Sanitation | 5 - 100 years |

The residual value, the useful life and depreciation method of each asset are reviewed at least at of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Compensation from third parties for an item of property, plant and equipment that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

### 1.5 Intangible assets (continued)

An intangible asset is recognised when:
- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| Item | Useful life |
|---|---|
| Servitudes | Indefinite |

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.6 Heritage assets

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality’s operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

### 1.6 Heritage assets (continued)

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

**Recognition**

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

**Initial measurement**

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

**Subsequent measurement**

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

**Impairment**

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

**Transfers**

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

**Derecognition**

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality’s statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the ‘underlying’).
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

### 1.7 Financial instruments (continued)

- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of a municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of a municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of a municipality.

### 1.7 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

**Classification**

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Other financial assets | Financial asset measured at fair value |
| Investments | Financial asset measured at amortised cost |
| Cash and cash equivalents | Financial asset measured at amortised cost |
| Other receivables | Financial asset measured at amortised cost |
| Trade receivables | Financial asset measured at amortised cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class | Category |
|---|---|
| Other financial liabilties | Financial liability measured at amortised cost |
| Other payables | Financial liability measured at amortised cost |
| Trade payables | Financial liability measured at amortised cost |

**Initial recognition**

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

### 1.7 Financial instruments (continued)

**Initial measurement of financial assets and financial liabilities**

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

### 1.7 Financial instruments (continued)

**Subsequent measurement of financial assets and financial liabilities**

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

**Fair value measurement considerations**

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm’s length exchange motivated by normal operating considerations. Valuation techniques include using recent arm’s length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

Short-term receivables and payables are not discounted where the intial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

**Gains and losses**

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

**Impairment and uncollectibility of financial assets**

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

### 1.7 Financial instruments (continued)

**Derecognition**

**Financial assets**

The municipality derecognises financial assets using trade date accounting.

The municipality derecognises a financial asset only when:
- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

**Financial liabilities**

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.8 Tax

**Value added tax**

The municipality is registered for VAT on the payment basis. Revenue, expenses and assets are recognised net of the amount of value added tax. The net amount of value added tax from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

### 1.9 Leases (continued)

**Finance leases - lessee**

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the .

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

**Operating leases - lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

Any contingent rents are recognised seperately as an expense in the period in which they are incurred.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.11 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:
- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

**Identification**

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

**Value in use**

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

**Discount rate**

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

### 1.12 Impairment of cash-generating assets (continued)

**Recognition and measurement (individual asset)**

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Cash-generating units**

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

### 1.12 Impairment of cash-generating assets (continued)

**Reversal of impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.13 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

**Identification**

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

### 1.13 Impairment of non-cash-generating assets (continued)

**Value in use**

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

**Depreciated replacement cost approach**

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

**Recognition and measurement**

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

**Reversal of an impairment loss**

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.14 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

### 1.14 Employee benefits (continued)

**Short-term employee benefits**

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

**Post-employment benefits**

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

**1.14 Employee benefits (continued)**

**Post-employment benefits: Defined benefit plans**

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The amount recognised as a defined benefit liability is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:
- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

# Accounting Policies

### 1.14 Employee benefits (continued)

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

**Actuarial assumptions**

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

### 1.14 Employee benefits (continued)

**Long service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised.

Payments are offset against the liability, including notional interest, resulting from the valuation by the actuaries is charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**Termination benefits**

The municipality recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The municipality is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

### 1.15 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an municipality has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurence or non occurence of one or more uncertain future events not wholly within the control fo the municipality.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

A contingent liability is:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurence or non-occurence of one or more uncertain future events not wholly within the control of the municipality; or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation;
  - the amount of the obligation can't be measured reliably;

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

**Decommissioning, restoration and similar liability**

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:
- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.12 and 1.13.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

**Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

**Sale of goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

**Rendering of services**

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

**Interest, royalties and dividends**

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the cirteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.17 Revenue from non-exchange transactions (continued)

**Rates, including collection charges and penalties**

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or addtional rates revenue is recognised.

**Gifts and donations, including goods in-kind**

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

**Services in-kind**

Services in-kind are not recognised.

Services in-kind are recognised as revenue and as assets.

### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.19 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Irregular expenditure

Irregular expenditure as defined in section 1 of the mFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 2013/07/01 to 2014/06/30.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

#### 1.25 Related parties (continued)

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

#### 1.26 Grants in aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time.
When making these transfers, the municipality does not:

- receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment

These transfers are recognised in the statement of financial performance as expenses in the period that the events giving rise to the transfer occurred.

#### 1.27 Events after reporting period

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:
- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the municipality discloses the nature and an estimate of the financial effect.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 2. Changes in accounting policy

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**GRAP 25: Employee benefits**

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:
- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:
- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity’s decision to terminate an employee’s employment before the normal retirement date; or
  - an employee’s decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:
- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;

**3. New standards and interpretations (continued)**

- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality has adopted the standard for the first time in the 2014 financial statements.

The impact of the standard is not material.

**GRAP 1 (as revised 2012): Presentation of Financial Statements**

Paragraphs .108 and .109 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 3 (as revised 2012): Accounting Policies, Change in Accounting Estimates and Errors**

# Notes to the Financial Statements

**3. New standards and interpretations (continued)**

Paragraphs .17 and .18 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Changes in Accounting Policies.

The effective date of the amendment is for years beginning on or after 01 April 2013

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 9 (as revised 2012): Revenue from Exchange Transactions**

Paragraphs .11 and .13 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to the Scope and Definitions.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 12 (as revised 2012): Inventories**

Paragraph .30 was amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 13 (as revised 2012): Leases**

Paragraphs .38 and .42 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Disclosures.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 16 (as revised 2012): Investment Property**

Paragraphs .12, .15, .34, .76, .84 and .87 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Measurement at recognition, Disposals and Disclosure.

All amendments to be applied prospectively.

# Notes to the Financial Statements

**3. New standards and interpretations (continued)**

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 17 (as revised 2012): Property, Plant and Equipment**

Paragraphs .44, .45, .72, .75, .79 and .85 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Measurement after recognition, Derecognition and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 27 (as revised 2012): Agriculture (Replaces GRAP 101)**

Paragraphs .07, .08, .19, .22, .23, .37, .38, .40, .45 and .46 were amended by the improvements to the Standards of GRAP issued previously:

Amendments were made to Definitions, Recognition and measurement and Disclosure.

All amendments to be applied prospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

The impact of the amendment is not material.

**GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)**

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**IGRAP16: Intangible assets website costs**

**3. New standards and interpretations (continued)**

An entity may incur internal expenditure on the development and operation of its own website for internal or external access. A website designed for external access may be used for various purposes such as to disseminate information, for example annul reports and budgets, create awareness of services, request comment on draft legislation, promote and advertise an entity's own services and products, for example the E-filing facility of SARS that enables taxpayers to complete their annual tax assessments, provide electronic services and list approved supplier details. A website designed for internal access may be used to store an entity's information, for example policies and operating procedures, and details of users of a service, and other relevant information.

The stages of a website's development can be described as follows:

- Planning – includes undertaking feasibility studies, defining objectives and specifications, evaluating alternatives and selecting preferences.
- Application and infrastructure development – includes obtaining a domain name, purchasing and developing hardware and operating software, installing developed applications and stress testing.
- Graphical design development – includes designing the appearance of web pages.
- Content development – includes creating, purchasing, preparing and uploading information, either text or graphic, on the website before the completion of the website's development. This information may either be stored in separate databases that are integrated into (or accessed from) the website or coded directly into the web pages.

Once development of a website has been completed, the operating stage begins. During this stage, an entity maintains and enhances the applications, infrastructure, graphical design and content of the website.

When accounting for internal expenditure on the development and operation of an entity's own website for internal or external access, the issues are:

- whether the website is an internally generated intangible asset that is subject to the requirements of the Standard of GRAP on Intangible Assets; and
- the appropriate accounting treatment of such expenditure.

This Interpretation of Standards of GRAP does not apply to expenditure on purchasing, developing, and operating hardware (eg web servers, staging servers, production servers and internet connections) of a website. Such expenditure is accounted for under the Standard of GRAP on Property, Plant and Equipment. Additionally, when an entity incurs expenditure on an internet service provider hosting the entity's website, the expenditure is recognised as an expense under the paragraph .93 in the Standard of GRAP on Presentation of Financial Statements and the Framework for the Preparation and Presentation of Financial Statements when the services are received.

The Standard of GRAP on Intangible Assets does not apply to intangible assets held by an entity for sale in the ordinary course of operations (see the Standards of GRAP on Construction Contracts and Inventories) or leases that fall within the scope of the Standard of GRAP on Leases. Accordingly, this Interpretation of Standards of GRAP does not apply to expenditure on the development or operation of a website (or website software) for sale to another entity. When a website is leased under an operating lease, the lessor applies this Interpretation of Standards of GRAP. When a website is leased under a finance lease, the lessee applies this Interpretation of Standards of GRAP after initial recognition of the leased asset.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**3.2 Standards and interpretations issued, but not yet effective**

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

**GRAP 18: Segment Reporting**

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

# Notes to the Financial Statements

**3. New standards and interpretations (continued)**

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality’s overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 financial statements.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP 105: Transfers of functions between entities under common control**

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**GRAP 106: Transfers of functions between entities not under common control**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

**3. New standards and interpretations (continued)**

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**GRAP 107: Mergers**

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**GRAP 20: Related parties**

The objective of this standard is to ensure that a reporting entity’s financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:
- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users’ assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:
- A person or a close member of that person’s family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.

## Notes to the Financial Statements

**3. New standards and interpretations (continued)**

- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:
- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:
- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**IGRAP1 (as revised 2012):Applying the probability test on initial recognition of revenue**

Paragraphs .03, .04, .05, .06, .08 and .10, were amended and paragraph .02 was added in the Interpretation of the Standards of GRAP.

This Interpretation of the Standards of GRAP now addresses the manner in which an entity applies the probability test on initial recognition of both:

(a) exchange revenue in accordance with the Standard of GRAP on Revenue from Exchange Transactions and

(b) non-exchange revenue in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

This Interpretation of the Standards of GRAP supersedes the Interpretation of the Standards of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue issued in 2009.

The effective date of the amendment is for years beginning on or after 01 April 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

**GRAP32: Service Concession Arrangements: Grantor**

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

# Notes to the Financial Statements

**3. New standards and interpretations (continued)**

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**GRAP108: Statutory Receivables**

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

**IGRAP17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset**

This Interpretation of the Standards of GRAP provides guidance to the grantor where it has entered into a service concession arrangement, but only controls, through ownership, beneficial entitlement or otherwise, a significant residual interest in a service concession asset at the end of the arrangement, where the arrangement does not constitute a lease. This Interpretation of the Standards of GRAP shall not be applied by analogy to other types of transactions or arrangements.

A service concession arrangement is a contractual arrangement between a grantor and an operator in which the operator uses the service concession asset to provide a mandated function on behalf of the grantor for a specified period of time. The operator is compensated for its services over the period of the service concession arrangement, either through payments, or through receiving a right to earn revenue from third party users of the service concession asset, or the operator is given access to another revenue-generating asset of the grantor for its use.

Before the grantor can recognise a service concession asset in accordance with the Standard of GRAP on Service Concession Arrangements: Grantor, both the criteria as noted in paragraph .01 of this Interpretation of the Standards of GRAP need to be met. In some service concession arrangements, the grantor only controls the residual interest in the service concession asset at the end of the arrangement, and can therefore not recognise the service concession asset in terms of the Standard of GRAP on Service Concession Arrangements: Grantor.

A consensus is reached, in this Interpretation of the Standards of GRAP, on the recognition of the performance obligation and the right to receive a significant interest in a service concession asset.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister set the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

# Notes to the Financial Statements



### 4. Investment property

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Investment property | 46 798 525 | (14 534 793) | 32 263 732 | 46 798 525 | (11 739 210) | 35 059 315 |

**Reconciliation of investment property - 2014**

| | **Opening balance** | **Depreciation** | **Total** |
|---|---|---|---|
| Investment property | 35 059 315 | (2 795 583) | 32 263 732 |

**Reconciliation of investment property - 2013**

| | **Opening balance** | **Depreciation** | **Total** |
|---|---|---|---|
| Investment property | 37 854 899 | (2 795 584) | 35 059 315 |

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 5. Property, plant and equipment

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated depreciation and accumulated impairment** | **Carrying value** |
| Land and Buildings - Land | 589 318 750 | - | 589 318 750 | 589 318 750 | - | 589 318 750 |
| Land and Buildings - Buildings | 172 063 489 | (63 501 866) | 108 561 623 | 167 508 623 | (53 772 872) | 113 735 751 |
| Furniture and fittings | 3 538 513 | (1 061 950) | 2 476 563 | 3 348 546 | (607 469) | 2 741 077 |
| Motor vehicles | 11 107 792 | (1 715 295) | 9 392 497 | 10 476 998 | (1 244 662) | 9 232 336 |
| Office equipment | 2 945 415 | (823 737) | 2 121 678 | 2 421 764 | (239 072) | 2 182 692 |
| Infrastructure - Electricity | 141 007 292 | (81 322 147) | 59 685 145 | 134 966 195 | (76 379 392) | 58 586 803 |
| Plant and Equipment | 1 932 509 | (422 247) | 1 510 262 | 1 324 199 | (177 914) | 1 146 285 |
| Emergency Equipment | 1 699 626 | (489 520) | 1 210 106 | 1 699 626 | (182 681) | 1 516 945 |
| Infrastructure - Roads | 431 350 007 | (204 931 746) | 226 418 261 | 415 951 061 | (190 260 678) | 225 690 383 |
| Infrastructure - Sanitation | 284 286 901 | (146 366 224) | 137 920 677 | 280 795 006 | (138 949 467) | 141 845 539 |
| Infrastructure - Water | 394 187 693 | (192 531 836) | 201 655 857 | 375 393 740 | (182 092 678) | 193 301 062 |
| **Total** | **2 033 437 987** | **(693 166 568)** | **1 340 271 419** | **1 983 204 508** | **(643 906 885)** | **1 339 297 623** |

### 5. Property, plant and equipment (continued)

**Reconciliation of property, plant and equipment - 2014**

| | Opening balance | Additions | Transfers | Work-in-progress | Depreciation | Total |
|---|---|---|---|---|---|---|
| Land and Buildings - Land | 589 318 750 | - | - | - | - | 589 318 750 |
| Land and Buildings - Buildings | 113 735 751 | 4 554 766 | - | - | (9 728 894) | 108 561 623 |
| Furniture and fittings | 2 741 077 | 189 967 | - | - | (454 481) | 2 476 563 |
| Motor vehicles | 9 232 336 | 630 570 | - | - | (470 409) | 9 392 497 |
| Office equipment | 2 182 692 | 523 874 | - | - | (584 888) | 2 121 678 |
| Infrastructure - Electricity | 58 586 803 | 2 146 824 | - | 3 894 273 | (4 942 755) | 59 685 145 |
| Plant and Equipment | 1 146 285 | 608 310 | - | - | (244 333) | 1 510 262 |
| Emergency Equipment | 1 516 945 | - | - | - | (306 839) | 1 210 106 |
| Infrastructure - Roads | 225 690 383 | 30 417 731 | (15 018 785) | - | (14 671 068) | 226 418 261 |
| Infrastructure - Sanitation | 141 845 539 | 11 995 | (4 504) | 3 484 404 | (7 416 757) | 137 920 677 |
| Infrastructure - Water | 193 301 062 | 2 622 314 | (133 055) | 16 304 694 | (10 439 158) | 201 655 857 |
| | **1 339 297 623** | **41 706 351** | **(15 156 344)** | **23 683 371** | **(49 259 582)** | **1 340 271 419** |

**Reconciliation of property, plant and equipment - 2013**

| | Opening balance | Additions | Work-in-progress | Depreciation | Total |
|---|---|---|---|---|---|
| Land and Buildings - Land | 589 318 750 | - | - | - | 589 318 750 |
| Land and Buildings - Buildings | 122 756 344 | 514 098 | - | (9 534 691) | 113 735 751 |
| Furniture and fittings | 3 041 445 | 121 232 | - | (421 600) | 2 741 077 |
| Motor vehicles | 8 138 539 | 1 508 512 | - | (414 715) | 9 232 336 |
| Office equipment | 2 094 683 | 293 602 | - | (205 593) | 2 182 692 |
| Infrastructure - Electricity | 58 363 199 | 4 662 828 | - | (4 439 224) | 58 586 803 |
| Plant and Equipment | 1 204 152 | 75 696 | - | (133 563) | 1 146 285 |
| Emergency Equipment | 1 653 484 | 27 000 | - | (163 539) | 1 516 945 |
| Infrastructure - Roads | 220 495 142 | 4 467 537 | 15 018 785 | (14 291 081) | 225 690 383 |
| Infrastructure - Sanitation | 149 232 816 | 23 584 | 4 504 | (7 415 365) | 141 845 539 |
| Infrastructure - Water | 202 907 917 | 563 195 | 133 055 | (10 303 105) | 193 301 062 |
| | **1 359 206 471** | **12 257 284** | **15 156 344** | **(47 322 476)** | **1 339 297 623** |

**Pledged as security**

No items of property, plant and equipment were pledged as a security.

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 6. Intangible assets

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | **Cost / Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** | **Cost / Valuation** | **Accumulated amortisation and accumulated impairment** | **Carrying value** |
| Servitudes | 5 603 350 | - | 5 603 350 | 5 603 350 | - | 5 603 350 |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 6. Intangible assets (continued)

**Reconciliation of intangible assets - 2014**

| | Opening balance | Total |
|---|---|---|
| Servitudes | 5 603 350 | 5 603 350 |

**Reconciliation of intangible assets - 2013**

| | Opening balance | Total |
|---|---|---|
| Servitudes | 5 603 350 | 5 603 350 |

## 7. Heritage assets

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical monuments | 994 590 | - | 994 590 | 994 590 | - | 994 590 |

**Reconciliation of heritage assets 2014**

| | Opening balance | Total |
|---|---|---|
| Historical monuments | 994 590 | 994 590 |

**Reconciliation of heritage assets 2013**

| | Opening balance | Difference | Total |
|---|---|---|---|
| Historical monuments | 945 362 | **49 228** | 994 590 |

## 8. Employee benefit obligations

**Defined benefit plan**

The defined benefit plan consists of the post-employment medical aid subsidy governed by the Medical Schemes Act 1998.

The plan is a post employment medical benefit plan.

**Post retirement medical aid plan**

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municpality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. The municipality has requested Arch Actuarial Consulting to prepare an actuarial valuation of the municipality's liability as at 30 June 2014 based on the post-employment health care benefits. The valuation was done to ensure appropriate provision in accordance with GRAP25. The actuarial valuation method used was the "Projected Unit Credit Method" as prescribed by GRAP25.

| Figures in Rand | 2014 | 2013 |
| --- | --- | --- |

### 8. Employee benefit obligations (continued)

**Changes in the present value of the defined benefit obligation are as follows:**

| | | |
| --- | --- | --- |
| Opening balance | 30 347 311 | 30 656 311 |
| Benefits paid | (818 544) | (950 000) |
| Net expense recognised in the statement of financial performance | 6 817 531 | 641 000 |
| | **36 346 298** | **30 347 311** |

**Net expense recognised in the statement of financial performance**

| | | |
| --- | --- | --- |
| Current service cost | 2 245 323 | 1 808 000 |
| Interest cost | 2 649 863 | 2 337 000 |
| Actuarial (gains) losses | 1 922 345 | (3 504 000) |
| | **6 817 531** | **641 000** |

**Key assumptions used**

Assumptions used at the reporting date:

| | | |
| --- | --- | --- |
| Discount rates used | 9,23 % | 8,85 % |
| Expected increase in salaries | 6,50 % | 6,50 % |
| Expected increase in healthcare costs | 8,36 % | 7,62 % |

### 9. Inventories

| | | |
| --- | --- | --- |
| Consumables | 1 138 015 | 1 027 971 |
| Fuel | 54 513 | 143 187 |
| Water | 212 314 | 142 186 |
| | **1 404 842** | **1 313 344** |

### 10. Receivables from exchange transactions

| | | |
| --- | --- | --- |
| Sundry receivable | 2 726 604 | 2 732 301 |
| Sundry Deposits | 598 340 | 598 340 |
| | **3 324 944** | **3 330 641** |

### 11. Consumer debtors

| | | |
| --- | --- | --- |
| **Gross balances** | | |
| Rates | 54 811 174 | 45 515 950 |
| Electricity | 20 827 864 | 13 579 734 |
| Water | 126 741 971 | 93 261 080 |
| Sewerage | 15 138 597 | 13 422 326 |
| Refuse | 11 107 977 | 9 797 818 |
| Sundry debtors | 124 964 816 | 111 279 252 |
| | **353 592 399** | **286 856 160** |

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|
| **11. Consumer debtors (continued)** | | |
| **Less: Allowance for impairment** | | |
| Rates | (50 701 422) | (22 708 031) |
| Electricity | (15 937 173) | (6 774 966) |
| Water | (116 786 479) | (46 528 206) |
| Sewerage | (14 592 797) | (6 696 435) |
| Refuse | (10 616 446) | (4 888 158) |
| Sundry debtors | (38 969 530) | (10 764 312) |
| | **(247 603 847)** | **(98 360 108)** |
| **Net balance** | | |
| Rates | 4 109 752 | 22 807 919 |
| Electricity | 4 890 691 | 6 804 768 |
| Water | 9 955 492 | 46 732 874 |
| Sewerage | 545 800 | 6 725 891 |
| Refuse | 491 531 | 4 909 660 |
| Sundry debtors | 85 995 286 | 100 514 940 |
| | **105 988 552** | **188 496 052** |
| **Included in above is receivables from exchange transactions** | | |
| Electricity | 4 964 496 | 6 804 768 |
| Water | 10 176 428 | 46 732 874 |
| Sewerage | 599 683 | 6 725 891 |
| Refuse | 572 848 | 4 909 660 |
| Sundry debtors | 5 794 959 | 54 678 853 |
| | **22 108 414** | **119 852 046** |
| **Included in above is receivables from non-exchange transactions (taxes and transfers)** | | |
| Rates | 4 522 588 | 22 807 919 |
| **Net balance** | **26 631 002** | **142 659 965** |
| **Rates** | | |
| Current (0 -30 days) | 2 947 192 | 2 762 495 |
| 31 - 60 days | 1 162 560 | 1 649 507 |
| 61 - 90 days | - | 1 353 206 |
| > 90 days | - | 17 042 711 |
| | **4 109 752** | **22 807 919** |
| **Electricity** | | |
| Current (0 -30 days) | 4 890 691 | 6 327 709 |
| 31 - 60 days | - | 477 059 |
| | **4 890 691** | **6 804 768** |
| **Water** | | |
| Current (0 -30 days) | 6 353 404 | 2 766 156 |
| 31 - 60 days | 3 602 088 | 2 255 933 |
| 61 - 90 days | - | 1 828 507 |
| > 90 days | - | 39 882 278 |
| | **9 955 492** | **46 732 874** |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 11. Consumer debtors (continued)

| | | |
|---|---|---|
| **Sewerage** | | |
| Current (0 -30 days) | 511 127 | 482 324 |
| 31 - 60 days | 34 673 | 246 799 |
| 61 - 90 days | - | 340 191 |
| 91 - 120 days | - | 5 656 577 |
| | **545 800** | **6 725 891** |

| | | |
|---|---|---|
| **Refuse** | | |
| Current (0 -30 days) | 491 531 | 474 434 |
| 31 - 60 days | - | 205 168 |
| 61 - 90 days | - | 171 831 |
| > 90 days | - | 4 058 227 |
| | **491 531** | **4 909 660** |

| | | |
|---|---|---|
| **Sundry debtors** | | |
| Current (0 -30 days) | 1 883 912 | 417 463 |
| 31 - 60 days | 1 737 504 | 1 595 301 |
| 61 - 90 days | 1 711 941 | 1 589 944 |
| > 90 days | 80 661 929 | 96 912 232 |
| | **85 995 286** | **100 514 940** |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 11. Consumer debtors (continued)

**Summary of debtors by customer classification**

| | 2014 | 2013 |
|---|---|---|
| **Consumers** | | |
| Current (0 -30 days) | 8 839 292 | 7 424 371 |
| 31 - 60 days | 6 543 858 | 5 224 835 |
| 61 - 90 days | 5 360 165 | 4 930 560 |
| > 90 days | 263 824 861 | 235 081 449 |
| | 284 568 176 | 252 661 215 |
| Less: Allowance for impairment | (260 637 187) | (127 415 081) |
| | **23 930 989** | **125 246 134** |
| **Industrial/ commercial** | | |
| Current (0 -30 days) | 9 917 790 | 7 035 665 |
| 31 - 60 days | 4 852 491 | 1 964 852 |
| 61 - 90 days | 7 159 164 | 925 176 |
| > 90 days | 29 669 198 | 24 165 559 |
| > 365 days | (47 259 414) | - |
| | 4 339 229 | 34 091 252 |
| Less: Allowance for impairment | - | (13 668 699) |
| | **4 339 229** | **20 422 553** |
| **National and provincial government** | | |
| Current (0 -30 days) | 1 130 998 | 1 061 |
| 31 - 60 days | 543 548 | 839 |
| 61 - 90 days | 525 024 | 520 |
| > 90 days | 18 295 234 | 15 070 |
| | 20 494 804 | 17 490 |
| Less: Allowance for impairment | (18 771 277) | (8 165) |
| | **1 723 527** | **9 325** |
| **Total** | | |
| Current (0 -30 days) | 19 888 081 | 14 461 097 |
| 31 - 60 days | 11 939 897 | 7 190 525 |
| 61 - 90 days | 13 044 353 | 5 856 255 |
| > 90 days | 387 784 096 | 305 184 369 |
| | 432 656 427 | 332 692 246 |
| Less: Allowance for impairment | (326 667 875) | (144 196 194) |
| | **105 988 552** | **188 496 052** |
| **Less: Allowance for impairment** | | |
| 61 - 90 days | (1 831 291) | (749 054) |
| 91 - 120 days | (13 043 995) | (479 770) |
| 121 - 365 days | (232 728 561) | (97 131 284) |
| | **(247 603 847)** | **(98 360 108)** |
| **Reconciliation of allowance for impairment** | | |
| Balance at beginning of the year | (62 024 917) | (189 166 145) |
| Contributions to allowance | (19 935 366) | (37 939 823) |
| (Increase) / Decrease in allowance | (165 643 564) | 128 745 860 |
| | **(247 603 847)** | **(98 360 108)** |

| Figures in Rand | 2014 | 2013 |
| --- | --- | --- |

### 11. Consumer debtors (continued)

**Consumer debtors impaired**

As of 30 June 2014, consumer debtors of R 329 775 125 (2013: R 144 196 195) were impaired and provided for.

The amount of the provision was R 185 578 930 as of 30 June 2014 (2013: R (90 806 037)).

### 12. Cash and cash equivalents

Cash and cash equivalents consist of:

| | 2014 | 2013 |
| --- | --- | --- |
| Cash on hand | 4 975 | 4 975 |
| Bank balances | 4 017 090 | 31 877 362 |
| | **4 022 065** | **31 882 337** |

**The municipality had the following bank accounts**

| Account number / description | Bank statement balances | | | Cash book balances | | |
| --- | --- | --- | --- | --- | --- | --- |
| | **30 June 2014** | **30 June 2013** | **30 June 2012** | **30 June 2014** | **30 June 2013** | **30 June 2012** |
| Standard Bank - Cheque - 42056994 | 4 610 690 | 34 834 970 | 25 433 337 | 533 756 | 30 521 842 | 25 401 430 |
| ABSA Bank - 850000026 | 3 483 334 | 1 335 636 | 194 414 | 3 483 334 | 1 355 520 | 231 104 |
| ABSA Bank - 850000034 | - | 5 | - | - | - | - |
| ABSA Bank - 4059973155 | - | 11 454 | - | - | - | - |
| ABSA Bank - 4075281552 | - | 8 425 | - | - | - | - |
| **Total** | **8 094 024** | **36 190 490** | **25 627 751** | **4 017 090** | **31 877 362** | **25 632 534** |

### 13. Unspent conditional grants and receipts

**Unspent conditional grants and receipts comprises of:**

| | 2014 | 2013 |
| --- | --- | --- |
| **Unspent conditional grants and receipts** | | |
| Expanded Public Works Programme Grant (EPWP) | - | 670 960 |

**Movement during the year**

| | 2014 | 2013 |
| --- | --- | --- |
| Balance at the beginning of the year | - | 612 108 |
| Additions during the year | - | 58 852 |
| | **-** | **670 960** |

See note 23 for reconciliation of grants from National/Provincial Government.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 14. Other financial liabilities

| | | |
|---|---|---|
| **At amortised cost** | | |
| Development Bank of Southern Africa - DBSA 61001052<br>The loan bears interest at at fixed rate of 9.03% per annum. The loan is repayable in bi-annual installments of R6 425 over an initial period of 3 years. The loan matures on 31 December 2015. | 19 291 | 32 141 |
| Development Bank of Southern Africa - DBSA 61001053<br>The loan bears interest at a fixed rate of 6.75% per annum. The loan is repayable in bi-annual installments of R602 952 over an initial period of 8 years. The loan matures on 31 December 2020. | 6 259 882 | 7 002 637 |
| ABSA - 30-1164-4527<br>The loan bears interest at a fixed rate of 12.49% per annum. The loan is repayable in montly installments of R29 260 over an initial period of 120 months. The loan matured on 28 February 2014. | - | 223 407 |
| ABSA - 30-2482-8114<br>The loan bears interest at a variable rate. The loan is repayable in 4 monthly installments over an initial period of 96, 4 monthly periods. The loan matures on 1 February 2016. | 1 510 390 | 2 443 679 |
| ABSA - 30-2417-5133<br>The loan bears interest at a variable rate. The loan is repayable in quarterly installments over an initial period of 84, quarterly periods. The loan matures on 31 January 2015. | 345 258 | 1 004 803 |
| ABSA - 30-1214-0833<br>The loan bears interest at a fixed rate of 12.49%. The loan is repayable in monthly installments over an initial period of 120 months. The loan matured on 31 May 2014. | - | 308 779 |
| ABSA - 30-1189-3902<br>The loan bears interest at a fixed rate of 12.49%. The loan is repayable in monthly installments over an initial period of 120 months. The loan matured on 31 March 2014. | - | 251 625 |
| Nedbank<br>The loan bears interest at a fixed rate of 9.99% per annum. The loan is repayable in quarterly installments of R176 436 over an initial period of 84 months. The loan matures on 31 January 2015. | 15 301 281 | - |
| | **23 436 102** | **11 267 071** |

| | | |
|---|---|---|
| **Total other financial liabilities** | **23 436 102** | **11 267 071** |

The municipality have not defaulted on any loan payments during the year.

| | | |
|---|---|---|
| **Non-current liabilities** | | |
| At amortised cost | 19 483 537 | 8 134 820 |
| **Current liabilities** | | |
| At amortised cost | 3 952 565 | 3 132 251 |

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
| --- | --- | --- |

### 15. Provisions

**Reconciliation of provisions - 2014**

| | Opening Balance | Additions | Total |
| --- | --- | --- | --- |
| Environmental rehabilitation | 11 467 810 | 579 124 | 12 046 934 |

**Reconciliation of provisions - 2013**

| | Opening Balance | Additions | Total |
| --- | --- | --- | --- |
| Environmental rehabilitation | 2 712 949 | 8 754 861 | 11 467 810 |

**Environmental rehabilitation provision**

The landfill site's financial implications were determined by Quantum as at 30 June 2013 in therms of Section 28 of the National Environmental Management Act, Act No. 107 of 1998. The site, in terms of current legislation, is operating legally, as a permit exists.

The remaining useful life is approximately 24 years. Periods longer than 25 years have only a marginal effect on the final value. The date of closing is stated as 2038.

### 16. Long-service awards

An actuarial valuation has been performed of the Municipality's unfunded liability in respect of the entitlement of employees to Long Service Awards.

The effective date of this valuation is 30 June 2014 and its purpose is to enable the Municipality to provide appropriate disclosure in respect of this liability.

There are 374 employees that are currently entitled to Long Service Leave Awards.

The unfunded liability in respect of past service has been estimated to be R4 795 721.

The current-service cost for the year ending 30 June 2014 is R551 770. The current-service cost for the ensuing year has been estimated to be R420 166.

The expected remaining working-lifetime of eligeble employees is 17.0 years.

The Municipality offers emplyees LSA for every five years of service completed, from ten years of service to 45 years of service, inclusive.

### 17. Payables from exchange transactions

| | | |
| --- | --- | --- |
| Trade payables | 16 377 177 | 19 926 211 |
| Payments received in advance (Pre-paid electricity) | 914 488 | 681 939 |
| Payroll related cost control accounts | 55 103 | (6 380) |
| Retentions | 3 986 058 | 1 103 772 |
| Accrued leave pay | 6 427 659 | 6 131 575 |
| Sundry creditors | 9 523 614 | 2 157 345 |
| Debtors with credit balances | 3 802 436 | 4 057 650 |
| | **41 086 535** | **34 052 112** |

### 18. VAT payable

| | | |
| --- | --- | --- |
| VAT Refundable | (10 169 950) | (6 264 055) |
| Debtors VAT Accrued | 101 028 043 | 68 100 991 |
| | **90 858 093** | **61 836 936** |

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 19. Consumer deposits

| | | |
|---|---|---|
| Water and Electricity | 1 491 078 | 1 445 707 |

### 20. Revenue

| | | |
|---|---|---|
| Service charges | 160 822 238 | 123 403 080 |
| Rental of facilities and equipment | 2 304 548 | 2 230 752 |
| Interest received (Consumer Debtors) | 21 526 047 | 18 602 306 |
| Income from agency services | 16 170 527 | 8 421 198 |
| Licences and permits | 2 615 950 | 2 908 107 |
| Insurance claims received | 2 749 566 | 418 356 |
| Sundry service charges received | 906 838 | 798 304 |
| Commissions received | 58 644 | 6 162 |
| VAT - Grant sundry income | 2 514 777 | 2 610 724 |
| Special readings | 52 222 | 27 323 |
| Other income | 2 177 064 | 982 353 |
| Interest received - investment | 771 921 | 1 298 173 |
| Property rates | 43 855 098 | 40 112 921 |
| Government grants & subsidies | 95 844 669 | 89 047 161 |
| Fines | 123 962 | 262 972 |
| | **352 494 071** | **291 129 892** |

| | | |
|---|---|---|
| **The amount included in revenue arising from exchanges of goods or services are as follows:** | | |
| Service charges | 160 822 238 | 123 403 080 |
| Rental of facilities and equipment | 2 304 548 | 2 230 752 |
| Interest received (Consumer Debtors) | 21 526 047 | 18 602 306 |
| Income from agency services | 16 170 527 | 8 421 198 |
| Licences and permits | 2 615 950 | 2 908 107 |
| Insurance claims received | 2 749 566 | 418 356 |
| Sundry service charges received | 906 838 | 798 304 |
| Commissions received | 58 644 | 6 162 |
| VAT - Grant sundry income | 2 514 777 | 2 610 724 |
| Special readings | 52 222 | 27 323 |
| Other income | 2 177 064 | 982 353 |
| Interest received - investment | 771 921 | 1 298 173 |
| | **212 670 342** | **161 706 838** |

| | | |
|---|---|---|
| **The amount included in revenue arising from non-exchange transactions is as follows:** | | |
| **Taxation revenue** | | |
| Property rates | 43 855 098 | 40 112 921 |
| **Transfer revenue** | | |
| Government grants & subsidies | 95 844 669 | 89 047 161 |
| Fines | 123 962 | 262 972 |
| | **139 823 729** | **129 423 054** |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 21. Property rates

### Rates received

| | | |
|---|---|---|
| Commercial | 9 589 276 | 7 929 299 |
| Government | 1 710 916 | 1 608 043 |
| Other | 8 478 | 35 530 |
| Residential | 32 546 428 | 30 540 049 |
| | **43 855 098** | **40 112 921** |

### Valuations

| | | |
|---|---|---|
| Residential | 1 774 065 200 | 1 725 252 200 |
| Commercial | 459 096 000 | 447 746 000 |
| Government | 101 450 000 | 101 450 000 |
| Municipal | 211 636 900 | 216 865 900 |
| Farms / Agricultural | 3 654 415 000 | 2 114 700 000 |
| | **6 200 663 100** | **4 606 014 100** |

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2014.

| **The basic rates applied were as follows:** | **2014** | **2013** |
|---|---|---|
| Residential | 0.01052 | 0.00946 |
| Commercial | 0.02428 | 0.02183 |
| Vacant land (residential and commercial) | 0.06448 | 0.05796 |
| Vacant land (agricultural holdings) | 0.00264 | 0.01878 |
| Farms / Agricultural | 0.00264 | 0.00237 |
| Subtotal | 10 456 | 11 040 |

## 22. Service charges

| | | |
|---|---|---|
| Sale of electricity | 99 499 676 | 77 862 057 |
| Sale of water | 44 206 354 | 30 038 743 |
| Sewerage and sanitation charges | 8 041 101 | 7 317 681 |
| Refuse removal | 9 075 107 | 8 184 599 |
| | **160 822 238** | **123 403 080** |

## Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 23. Government grants and subsidies

| | | |
|---|---|---|
| **Operating grants** | | |
| Equitable share | 53 533 000 | 50 861 000 |
| Financial Management Grant | 1 550 000 | 1 500 000 |
| Municipal Systems Improvement Grant | 890 000 | 1 412 109 |
| Expanded Public Works Programme Grant | 2 135 960 | 1 861 039 |
| | 58 108 960 | 55 634 148 |
| **Capital grants** | | |
| Municipal Infrastructure Grant (MIG) | 23 633 000 | 24 893 000 |
| Donations from District Municipality | 12 902 709 | 8 520 013 |
| Integrated National Electrification Programme (Municipal) Grant (INEP) | 1 200 000 | - |
| | 37 735 709 | 33 413 013 |
| | **95 844 669** | **89 047 161** |

**Conditional and Unconditional**

Included in above are the following grants and subsidies received:

| | | |
|---|---|---|
| Conditional grants received | 28 738 000 | 36 644 895 |
| Unconditional grants received | 53 533 000 | 50 861 000 |
| | **82 271 000** | **87 505 895** |

**Equitable Share**

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

**Equitable Share**

| | | |
|---|---|---|
| Current-year receipts | 53 533 000 | 50 861 000 |
| Conditions met - transferred to revenue | (53 533 000) | (50 861 000) |
| | - | - |

**Municipal Infrastructure Grant (MIG)**

| | | |
|---|---|---|
| Current-year receipts | 23 633 000 | 24 893 000 |
| Conditions met - transferred to revenue | (23 633 000) | (24 893 000) |
| | - | - |

**Financial Management Grant (FMG)**

| | | |
|---|---|---|
| Current-year receipts | 1 550 000 | 1 500 000 |
| Conditions met - transferred to revenue | (1 550 000) | (1 500 000) |
| | - | - |

**Municipal Systems Improvement Grant (MSIG)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | - | 612 108 |
| Current-year receipts | 890 000 | 800 000 |
| Conditions met - transferred to revenue | (890 000) | (1 412 108) |
| | - | - |

**Integrated National Electrification Programme (Municipal) Grant**

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 23. Government grants and subsidies (continued)

| | | |
|---|---|---|
| Current-year receipts | 1 200 000 | - |
| Conditions met - transferred to revenue | (1 200 000) | - |
| | - | - |

**Expanded Public Works Programme Grant (EPWP)**

| | | |
|---|---|---|
| Balance unspent at beginning of year | 670 960 | - |
| Current-year receipts | 1 465 000 | 2 532 000 |
| Conditions met - transferred to revenue | (2 135 960) | (1 861 040) |
| | - | **670 960** |

### 24. Other revenue

| | | |
|---|---|---|
| Administration and management fees received - third party | 2 749 566 | 418 356 |
| Sundry service charges received | 906 838 | 798 304 |
| Commissions received | 58 644 | 6 162 |
| VAT - Grant sundry income | 2 514 777 | 2 610 724 |
| Special readings | 52 222 | 27 323 |
| Other income | 2 177 064 | 982 353 |
| | **8 459 111** | **4 843 222** |

### 25. General expenses

| | | |
|---|---|---|
| Advertising | 734 626 | 389 061 |
| Auditors remuneration | 3 970 368 | 2 795 146 |
| Bank charges | 600 309 | 682 931 |
| Consulting and professional fees | 2 171 850 | 1 071 883 |
| Consumables | 112 449 | 75 541 |
| Entertainment | 301 330 | 189 292 |
| Contributions to capital expenditure | 3 099 630 | 83 322 |
| Community development and training | 1 711 862 | 1 964 118 |
| ICT expenses | 3 280 619 | 1 117 241 |
| Lease rentals on operating lease | 788 536 | 850 855 |
| Vehicle cost | 4 789 444 | 2 985 750 |
| Marketing & communications | 819 888 | 307 842 |
| Literature & publications | 13 312 | - |
| Radio licences | 4 282 | 12 300 |
| Pest control | 86 839 | 313 790 |
| Printing and stationery | 696 413 | 653 558 |
| Protective clothing | 610 618 | 540 954 |
| Subscriptions and membership fees | 910 226 | 572 344 |
| Telephone and fax | 1 045 619 | 1 062 673 |
| Training | 806 286 | 439 134 |
| Travel - local | 1 476 462 | 1 253 356 |
| Refuse containers & bags | 137 150 | 156 026 |
| Electricity | 2 995 797 | 2 930 021 |
| Sewerage and waste disposal | 53 014 | 48 080 |
| Water | 560 409 | 394 942 |
| Postage of accounts | 689 196 | 809 132 |
| Chemicals | 2 184 180 | 3 024 564 |
| Rehabilitation of landfill site | 579 124 | 8 754 861 |
| Water research | 134 066 | 248 930 |
| Other expenses | 690 820 | 880 833 |
| | **36 054 724** | **34 608 480** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 26. Employee related costs

| | | |
|---|---|---|
| Basic | 53 712 581 | 51 287 825 |
| Medical aid - company contributions | 3 136 590 | 2 502 559 |
| UIF | 459 469 | 400 576 |
| SDL | 718 940 | 607 283 |
| Other payroll levies | 25 413 | 23 461 |
| Pension and provident fund contributions | 11 078 843 | 10 969 969 |
| Standby allowance | 1 165 099 | 983 362 |
| Defined contribution plans | 6 498 987 | (308 689) |
| Travel, motor car, accommodation, subsistence and other allowances | 3 938 162 | 3 414 413 |
| Overtime payments | 4 695 883 | 3 747 492 |
| Long-service awards | 511 925 | 694 696 |
| Housing benefits and allowances | 468 317 | 535 566 |
| Annual Bonus | 4 548 642 | 3 722 927 |
| | **90 958 851** | **78 581 440** |

**Remuneration of municipal manager**

| | | |
|---|---|---|
| Annual Remuneration | 1 053 006 | 1 003 396 |
| Travel Allowance | 110 000 | 120 000 |
| Acting Allowance | 140 493 | - |
| | **1 303 499** | **1 123 396** |

The Municipal Manager, Mrs RM Maredi resigned on 15 May 2014.

Mr ND Morema was the Acting Municipal Manager since 16 May 2014 and he resigned on 23 May 2014.

Mrs B Mohalala is the Acting Municipal Manager since 26 May 2014.

**Remuneration of chief finance officer**

| | | |
|---|---|---|
| Annual Remuneration | 513 333 | 460 523 |
| Travel Allowance | 70 000 | 60 000 |
| Leave | - | 560 313 |
| | **583 333** | **1 080 836** |

Mr C Barnard was appointed as the Chief Financial Officer on 1 December 2013.

**Director Corporate Services**

| | | |
|---|---|---|
| Annual Remuneration | 815 495 | 771 252 |
| Travel Allowance | 150 000 | 150 000 |
| Acting Allowance | 46 597 | - |
| | **1 012 092** | **921 252** |

Mrs SG Ngobeni is the Director Corporate Services and has been Acting Municipal Manager from time to time.

**Director Community and Social Services**

| | | |
|---|---|---|
| Annual Remuneration | 821 495 | 828 664 |
| Travel Allowance | 144 000 | 144 000 |
| | **965 495** | **972 664** |

Mrs B Mdluli is the Director Community and Social Services.

**Director Technical Services**

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
| --- | --- | --- |

### 26. Employee related costs (continued)

| | | |
| --- | --- | --- |
| Annual Remuneration | 749 494 | 685 060 |
| Travel Allowance | 156 000 | 156 000 |
| Housing Allowance | 60 000 | 60 000 |
| Acting Allowance | 38 831 | - |
| | **1 004 325** | **901 060** |

Mr F Mashele is the Director of Technical Services and has been Acting Municipal Manager from time to time.

### 27. Remuneration of councillors

| | | |
| --- | --- | --- |
| Executive Major | 705 118 | 669 022 |
| Council Whip | 534 956 | 296 120 |
| Mayoral Committee Members | 1 604 868 | 1 522 902 |
| Speaker | 568 765 | 539 911 |
| Councillors | 2 478 338 | 2 410 299 |
| | **5 892 045** | **5 438 254** |

**Upper limits of councillors**

The salaries, allowances and benefits of political office-bearers and councillors are within the upper limits of the framework as envisaged in section 219 of the Constitution.

### 28. Debt impairment

| | | |
| --- | --- | --- |
| Debt impairment | 165 643 566 | (128 799 059) |
| Contributions to debt impairment provision | 19 935 366 | 37 939 823 |
| | **185 578 932** | **(90 859 236)** |

### 29. Investment revenue

| | | |
| --- | --- | --- |
| **Interest revenue** | | |
| Bank | 771 921 | 1 298 173 |

### 30. Fair value adjustments

| | | |
| --- | --- | --- |
| Other financial assets | | |
| • Other financial assets (SANLAM investment) | 31 815 | 20 705 |

### 31. Depreciation and amortisation

| | | |
| --- | --- | --- |
| Property, plant and equipment | 52 055 166 | 50 118 059 |

### 32. Finance costs

| | | |
| --- | --- | --- |
| Current borrowings | 4 311 190 | 909 500 |

### 33. Auditors' remuneration

| | | |
| --- | --- | --- |
| Fees | 3 970 368 | 2 795 146 |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 34. Contracted services

| | | |
|---|---|---|
| Performance Management System | 500 000 | 13 983 |
| Security services | 5 597 059 | 4 379 650 |
| Insurance | 2 645 834 | 4 567 162 |
| Professional Services | 8 080 988 | 3 295 317 |
| Valuation Roll | 1 339 612 | 976 802 |
| | **18 163 493** | **13 232 914** |

## 35. Grants and subsidies paid

| | | |
|---|---|---|
| **Other subsidies** | | |
| VIP toilets donated to the public | - | 2 468 995 |
| Pauper funerals | 26 300 | 7 800 |
| Indigent funerals | 6 186 | 10 720 |
| Property rates subsidy | 5 816 466 | 5 296 388 |
| Water subsidy - Indigents and 6kl free water | 4 952 248 | 5 643 599 |
| Communal taps | 53 606 | 50 300 |
| IEC Office | 23 233 | 35 672 |
| | **10 878 039** | **13 513 474** |

## 36. Bulk purchases

| | | |
|---|---|---|
| Electricity | 70 391 306 | 60 451 587 |
| Water | 21 589 765 | 5 500 362 |
| | **91 981 071** | **65 951 949** |

| **Electricity - Distribution losses** | **2014** | **2013** |
|---|---|---|
| Purchased | 105 851 535 | 97 086 304 |
| Sold | (89 793 184) | (80 465 156) |
| Subtotal | 16 058 351 | 16 621 148 |
| Less: Units accounted for as free basic services (50 kWh per household per month) | (4 987 626) | (4 871 448) |
| Less: Departmental usage | (3 168 326) | (2 297 760) |
| | **7 902 399** | **9 451 940** |

## 37. Cash generated from (used in) operations

| | | |
|---|---|---|
| (Deficit) surplus | (167 631 649) | 100 214 299 |
| **Adjustments for:** | | |
| Depreciation and amortisation | 52 055 166 | 50 118 059 |
| Fair value adjustments | (31 815) | (20 705) |
| Finance costs | - | 909 500 |
| Movements in retirement benefit assets and liabilities | 6 498 987 | (309 000) |
| Movements in provisions | 579 124 | 5 560 978 |
| Long-service award | 511 925 | 4 283 796 |
| Other non-cash items | (8 622 928) | - |
| **Changes in working capital:** | | |
| Inventories | (91 498) | 159 970 |
| Receivables from exchange transactions | 5 697 | 2 584 359 |
| Consumer debtors | 82 507 500 | (176 202 194) |
| Debt impairment | - | (90 859 235) |
| Payables from exchange transactions | 7 034 417 | 6 397 739 |
| VAT | 29 021 157 | 50 468 359 |
| Unspent conditional grants and receipts | (670 960) | 58 852 |
| | **1 165 123** | **(46 635 223)** |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
|---|---|---|

## 38. Commitments

**Authorised expenditure**

| | | |
|---|---|---|
| **Operational expenditure** | | |
| • Insurance | 1 349 296 | - |
| • Fleet management services | 4 763 953 | - |
| • Surveying fees | 429 688 | - |
| • Telephone costs | 664 285 | - |
| • Training | 94 500 | - |
| | **7 301 722** | **-** |
| **Capital expenditure** | | |
| • Property, plant and equipment - Professional fees | 3 142 430 | 8 049 113 |

The above commitments are for a period exceeding 12 months.

**Operating leases - as lessee (expense)**

| | | |
|---|---|---|
| **Minimum lease payments due** | | |
| - within one year | 1 916 755 | - |
| - in second to fifth year inclusive | 4 163 436 | - |
| | **6 080 191** | **-** |

Operating lease payments represent rentals payable by the municipality for its fleet of vehicles. The lease are for a period of 36 months upon which the fleet will be returned to the service provider. Machinery and equipment that is reflected under general expenditure as operating lease payments is for the renting of machinery and equipment which expired and is currently on a month to month basis.

### 39. Contingencies

**Contingent liabilities:**

The following civil cases are currently in the process of being finalised:

**Strydom Venter, Strydom Eiendoms CC vs VKLM:**
Strydom Venter applied to court to evict 80 unlawful families and requested the municipality to provide alternative land for the unlawful occupants. Judgement to be delivered by the court. The possible liability is estimated at R41 280.

**Peter Gerome obo Delmas Community:**
Peter Gerome applied to the Mpumalanga Township Board not to grant the applicant permission to rezone his land and matter awaiting for outcome of the Mpumalanga Provincial Board. The matter is pending and awaiting a date from Mpumalanage Township Board. The liability can't be estimated at this stage.

**Johannes Mbonani vs VKLM:**
Mr Mbonani applied to the high court to compel to fix the potholes at the R55 to the value of R10 000 000. The application for leave to appeal was dismissed by Justice Fourie. The matter was finalised after year end. The possible liability is estimated at R96 000.

**Democratic Alliance vs VKLM:**
The Democratic Alliance has laid a compliant against the Municipality over sewerage spillage and the matter is with the Green Scorpions to investigate the matter further. Matter on hold awaiting further investigation by the police. The possible liability is estimated at R10 000.

**Dwarsfontein Beleggings CC vs VKLM:**
The Dwarsfontein Beleggings CC have applied to the high court to evict 81 families from the land and requested the Municipality to avail land to accommodate the unlawful occupants. Advocate has been briefed to prepare for the trial, currently the heads of the argument are being drafted in order to secure a trial date in the South Gauteng High Court. The possible liability is estimated at R300 000.

**Mpenduco Eric Zikhali vs VKLM:**
Mr Penduo Eic Zikhali applied to court to evict the unlawful occupants and requested the Municipality to avail the land. A report has been compiled which was filed at the court. The estimated cost is R45 000.

**Mrs Tobie Swanepoel vs VKLM:**
Mrs Tobie Swanepoel has instituted action against the Municipality in order to repair a motor vehicle Ford Ranger 3.0 TDCi that was involved in an accident on 20 January 2011. Rescission of application for judgement was lodged and the matter is still pending. The estimated cost is R6 000.

**African Oxygen Limited t/a AFROX vs VKLM:**
African Oxygen Limited sued the Municipality for monies of the services rendered and a warrant was issued against the municipality, we applied for rescission of judgment and AFROX attorneys undertook not to execute the warrant. The possible liability can't be estimated at this point in time.

**Sofiline (Pty) Ltd vs VKLM:**
Sofiline (Pty) Ltd have lodged an objection against the selling of land to a Chinese Company. No action was taken against the Municipality. The possible liability can't be estimated at this point in time.

**Ms PA Gafane vs MM Kganyano and VKLM:**
Filed a notice to appeal against judgment in terms of Rule 51. The possible liability can't be estimated at this point in time.

**Society for the protection of our constitution vs VKLM:**
The society applied at the South Gauteng High Court to compel the Municipality to fix the potholes on the stretch of 10km at R55. The Department of Public Works has since repaired the potholes and the matter was finalised during the financial year. There is no liability for Council.

**Theresa M Wepener vs Nthabiseng Mogape and VKLM:**
Ms Theresa Wepener sued the Municipality for unlawful detention. Filed a notice to appeal against judgment and await the transcript to finalise the matter. The estimated liability is R60 000.

| Figures in Rand | 2014 | 2013 |
|---|---|---|

**39. Contingencies (continued)**

**Joggie Ishmael vs VKLM:**
Mr Joggie Ishmael a former employee continued occupying the official house of council without paying the outstanding monies. I was agreed to repay the amount of which the current outstanding balance is R12 010.

**Kadi M.T vs J.B Oliver and VKLM:**
Mr Kadie sued JB Oliver to repair his vehicle that was involved in an accident on 9 April 2010. The court already ruled that the Municipality is not liable to pay or repair the vehicle of Mr Kadi, however a civil case is proceeding against Mr Oliver. The estimated liability is R40 000.

**Contingent Assets:**

The Nkangala District Municipality is funding infrastructure projects that will be transferred to the Municipality once the projects are completed. The estimated value is R4 462 657.

The Department of Human Settlements is funding infrastructure projects that will be transferred to the Municipality once the projects are completed. The estimated value is R86 059 720.

**40. Change in estimate**

**Debt Impairment**

The basis for the estimation of the debt impairment for the current financial year and the methodology used changed from the prior year.

The impact on debt impairment is an increase in the provision of 128.70% compared to a decrease of 38.64%.

The amount can not be reliably estimated as it was impracticable.

**41. Prior period errors**

Property, Plant and Equipment, Heritage Assets, Investment Property and Intangible Assets were re-stated as a new asset register has been adopted.

The Actuarial Valuation was re-stated as it was incorrectly accounted for in 2013.

Donations received from the District Municipality were also re-stated due to the adoption of a new asset register.

Long-service awards was not previously accounted for and was re-stated accordingly.

Sale of houses were not properly accounted for and was re-stated.

The correction of the error(s) results in adjustments as follows:

| **Statement of financial position** | | |
|---|---|---|
| Property, plant and equipment | - | (56 881 067) |
| Provision for landfill site | - | (3 193 883) |
| Retirement benefit obligation | - | (311) |
| Sundry payables | - | 167 860 |
| Long-service awards | - | (4 283 796) |
| Accumulated surplus | - | 55 614 949 |
| Opening Accumulated Surplus or Deficit - 2012 | - | 659 374 080 |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

**41. Prior period errors (continued)**

| | | |
|---|---|---|
| **Statement of Financial Performance** | | |
| Depreciation expense | - | 6 405 298 |
| Sundry income | - | (167 859) |
| Rehabiliation costs | - | 3 193 883 |
| Employee benefits | - | 311 |
| Long service award | - | 694 696 |
| Loss on disposal of PPE | - | (8 815) |
| Donations - PPE | - | (1 541 266) |

**Cash flow statement**

| | | |
|---|---|---|
| **Cash flow from operating activities** | | |
| Working capital changes | - | (3 201 797) |
| **Cash flow from investing activities** | | |
| Property, plant and equipment | - | (667 868 450) |
| **Cash flow from financing activities** | | |
| Transactions processed directly into surplus | - | 650 482 638 |

**42. Comparative figures**

Certain comparative figures have been reclassified.

**Statement of Financial Position:**

In the prior year an amount of R51 391 was reflected under pre-paid expenditure which is part of Trade and other Receivables and it has been re-classified to salary related control accounts under trade payables. An amount of R951 323 which reflected under trade payables were re-classified to trade and other receivables. The net effect of the re-classification was R899 932.

In the prior year an amount of R951 323 was included under salary related costs under trade payables but it has been re-classifed to sundry receivables. An amount of R51 391 was reflected under trade and other receivables and it has been re-classified to salary related control accounts under trade payables. The net effect of the re-classification was R899 932.

**Statement of Financial Performance:**

Insurance claims were re-classified as they were previously included as part of contracted services. As a result contracted services decreased and insurance claims received increased with R418 356.

Employee related cost

Grants and subsidies paid were re-classified from contributions / donations to the public and general expenditure. As a result contributions / donations to the public were decreased with R2 468 995 and general expenditure decreased with R7 800. The net effect of the re-classification was R2 476 796.

Contracted services were re-classified from general expenditure and insurance claims received that were re-classified to other income. As a result general expenditure decreased with R13 984 and other income increased with R418 356. The net effect of the re-classlification was R432 339

Contributions / donations to the public were re-classified to grants and subsidies paid. As a result contributions / donations made to the public decreased with R2 468 995 and Grants and subsidies paid increased with R2 468 995.

General expenditure were re-classified to Performance Management Fees and Pauper burial. As a result general expenditure decreased with R21 784, Contracted Services increased with R13 984 and Pauper burials increased with R7 800.

The effects of the reclassification are as follows:

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 42. Comparative figures (continued)

| Statement of financial position | | |
|---|---|---|
| Trade and other receivables | - | 899 932 |
| Trade and other payables | - | (899 932) |

| Statement of Financial Performance | | |
|---|---|---|
| Insurance claims received | - | (418 356) |
| Grants and subsidies paid | - | 2 476 796 |
| Contracted services | - | 432 339 |
| Contributions / Donations to the public | - | (2 468 995) |
| General expenses | - | (21 784) |

### 43. Risk management

**Financial risk management**

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

**Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

**Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

| **Financial instrument** | **2014** | **2013** |
|---|---|---|
| Short-term investment | 124 735 | 92 920 |
| Receivables from exchange transactions | 3 324 944 | 3 330 641 |
| Consumer debtors | 26 631 002 | 142 659 965 |
| Cash and cash equivalents | 4 022 065 | 31 882 337 |
| Other financial liabilities | 23 104 236 | 11 267 071 |
| Payables from exchange transactions | 44 113 203 | 34 052 113 |
| Unspent conditional grants and receipts | - | 670 960 |

**Market risk**

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 43. Risk management (continued)

**Interest rate risk**

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

### 44. Events after the reporting date

There have been no events after the reporting date that requires an adjustement to the reporting period.

### 45. Unauthorised expenditure

| | | |
|---|---|---|
| Employee costs | 11 091 800 | - |
| Remuneration of councillors | 538 293 | - |
| Debt impairment | 166 398 100 | - |
| Depreciation and amortisation | 46 075 747 | - |
| Finance charges | 2 527 239 | - |
| Transfers and grants | 2 645 661 | - |
| Other expenditure | 2 209 511 | - |
| | **231 486 351** | **-** |

The major components of unauthorised expenditure was as a result of debt impairment and depreciation which are non-cash items. The remainder of unauthorised expenditure was as a result of additional expenditure that occurred during the year which was not foreseen during the budget process.

### 46. Fruitless and wasteful expenditure

| | | |
|---|---|---|
| Fruitless and wasteful expenditure | - | 347 046 |
| Eskom small electricity accounts | 1 388 | - |
| | **1 388** | **347 046** |

Council condoned the fruitless and wasteful expenditure as per Council Resolution nr S03/03/2014.

### 47. Irregular expenditure

| | | |
|---|---|---|
| Opening balance | 17 592 191 | - |
| Add: Irregular Expenditure - current year | 11 313 022 | 17 592 191 |
| | **28 905 213** | **17 592 191** |

**Analysis of expenditure awaiting condonation per age classification**

| | | |
|---|---|---|
| Current year | 11 313 022 | - |
| Prior years | 17 592 191 | - |
| | **28 905 213** | **-** |

| Figures in Rand | 2014 | 2013 |
|---|---|---|

### 47. Irregular expenditure (continued)

**Details of irregular expenditure – current year**

| | Disciplinary steps taken/criminal proceedings | |
|---|---|---|
| MBD 4 form not completed as part of tender documents | Matter will be investigated | 5 479 204 |
| Non-compliance with SCM Regulation 36 | Matter will be investigated | 850 000 |
| Three quotations not obtained and deviation not approved | Matter will be investigated | 449 016 |
| Valid tax clearance certificate not submitted | Matter will be investigated | 4 534 802 |
| | | **11 313 022** |

The municipality will determine the extent of the non-compliance within the population.

Additional measures were put in place to prevent irregular expenditure.

**Details of irregular expenditure not recoverable (not condoned)**

| | |
|---|---|
| Composition of bid committees | 15 501 135 |
| Preference points of tender | 22 636 |
| Tax clearance certificates | 1 797 736 |
| Persons employed by the state | 130 017 |
| Irregular awarding of tender | 140 667 |
| | **17 592 191** |

The irregular expenditure will be submitted to National Treasury for condonement.

The municipality is investigating possible instances of irregular expenditure which has not been included in the amount disclosed above. The full extent of irregularity would only be known at the conclusion of these investigations. The amount disclosed above may change based on the outcome of these investigations.

### 48. Additional disclosure in terms of Municipal Finance Management Act

**Contributions to organised local government**

| | 2014 | 2013 |
|---|---|---|
| Current year subscription / fee | 606 592 | 755 773 |
| Amount paid - current year | (606 592) | (755 773) |
| | - | - |

**Audit fees**

| | 2014 | 2013 |
|---|---|---|
| Current year subscription / fee | 3 970 368 | 2 782 504 |
| Amount paid - current year | (3 970 368) | (2 782 504) |
| | - | - |

**PAYE and UIF**

| | 2014 | 2013 |
|---|---|---|
| Current year subscription / fee | 11 270 479 | 9 935 725 |
| Amount paid - current year | (11 270 479) | (9 935 725) |
| | - | - |

**Pension and Medical Aid Deductions**

| | 2014 | 2013 |
|---|---|---|
| Current year subscription / fee | 14 215 433 | 13 472 528 |
| Amount paid - current year | (14 215 433) | (13 472 528) |
| | - | - |

# Notes to the Financial Statements

| Figures in Rand | 2014 | 2013 |
| --- | --- | --- |

## 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

**VAT**

| | 2014 | 2013 |
| --- | --- | --- |
| VAT payable | 90 858 093 | 61 836 936 |

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

**Councillors' arrear consumer accounts**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

| 30 June 2014 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
| --- | --- | --- | --- |
| Cllr B E Shabalala | 2 867 | 63 581 | 66 448 |
| CLLR B J Nyathi | 338 | 48 760 | 49 098 |
| | **3 205** | **112 341** | **115 546** |

| 30 June 2013 | Outstanding less than 90 days R | Outstanding more than 90 days R | Total R |
| --- | --- | --- | --- |
| Cllr B E Shabalala | 4 900 | 57 790 | 62 690 |

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

| 30 June 2014 | Highest outstanding amount | Aging (in days) |
| --- | --- | --- |
| Cllr B E Shabalala | 63 581 | 120 |
| Cllr B J Nyathi | 48 760 | 120 |
| | **112 341** | **240** |

| 30 June 2013 | Highest outstanding amount | Aging (in days) |
| --- | --- | --- |
| Cllr B E Shabalala | 57 790 | 120 |

## 49. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix A for the comparison of actual operating expenditure versus budgeted expenditure.

## 50. Actual capital expenditure versus budgeted capital expenditure

Refer to Appendix B for the comparison of actual capital expenditure versus budgeted expenditure.

### 51. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the financial statements.

The office of the Municipal Manager was renovated by Carpet & Decor Centre for an amount of R18 683.66 on 17 July 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the maintenance and upgrading of ozone generators was made to Purion Networx (Pty) Ltd for an amount of R45 543.00 on 23 July 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of K53 testing booklets was made to the Department of Transport for an amount of R15 390.00 on 7 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the inoculation of the Delmas Waste Water Treatment Plant was made to Midgard Coscious Choice for an amount of R6 794.40 on 14 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of a carburettor for CTR205MP was made to NTT Toyota for an amount of R8 749.95 on 15 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services to repair the compactor of a the refuse truck FJF746MP was made to Majahonke Hydraulics Building Construction CC for an amount of R98 489.73 on 15 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services to repair an electrical fault on tractor DDK516MP was made to Model Auto Electricians for an amount of R4 490.16 on 15 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods to repair a pre-cast wall at Mimosa Single 7 was made to Superior Walling & Paving for an amount of R3 000.00 on 19 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the service and repair of chlorinators in rural areas was made to P Erasmus for an amount of R13 200.00 on 20 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of A1 borehole was made to DOHA Supply System for an amount of R99 864.00 on 20 August 2013.
Reason; In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the rehabilitation of the Blesbok / Bronkhorstspruit river was made to Altus Environment for an amount of R29 907.90 on 23 July 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a truck was made to Waste Truck Repairs CC for an amount of R108 670.50 on 13 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a refuse truck FHF746MP was made to Exclusive Hydraulics & Engineering CC for an amount of R111 172.80 on 14 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of a refuse truck DSG831MP was made to Hino East Rand for an amount of R23 321.65 on 26 July 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

### 51. Deviation from supply chain management regulations (continued)

Procurement of goods for the replacement of the main sewer line flowing via Botleng Extension 3 pump station was made to Fusukhono Trading Enterprise for an amount of R141 965.00 on 26 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the maintenance of the Ozone plant at the Water Treatment Plant was made to Purion Networks for an amount of R45 543.00 on 26 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the replacement of the electrical panel at Botleng Extension 14 sewer pump station was made to Ukwakhana Electrical Services for an amount of R137 999.99 on 16 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the replacement of a faulty 11kV cable in the CBD was made to Delmas Electrical for an amount of R77 805.00 on 27 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of a motor of a mixer propeller at the sewer plant station was made to DRK Consulting for an amount of R40 983.00 on 27 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of a truck HBH002 MP was made to UD Trucks (McCarthy Commercial Vehicles) for an amount of R6 672.80 on 29 August 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of a refuse truck FHF746MP was made to UD Trucks (McCarthy Commerical Vehicles) for an amount of R13 021.27 on 26 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the prevention of sewer flooding to comply with blue drop status was made to Purion Networks (Pty) Ltd for an amount of R45 543.00 on 26 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of a tripper truck was made to Republic Bus & Truck CC for an amount of R4 165.70 on 23 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the strip and quote of BB4 borehole was made to DOHA Supply System for an amount of R156 720.00 on 23 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the strip and quote of a three PST sludge pump was made to Leona Armature Winders and Electricial Services for an amount of R65 280.00 on 9 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the strip and quote for FNF561MP was made to Delmas Nissan for an amount of R8 379.00 on 17 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for cylinder heads for CTN659MP was made to Delmas Toyota for an amount of R3 726.25 on 11 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of the refuse truck FHF746MP was made to UD Trucks (McCarthy Commercial Vehicles for an amount of R8 294.20 on 12 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency repair of two rotating asembly for Extension 5 was made to Flow Well Pumps for an amount of R104 640.60 on 11 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

### 51. Deviation from supply chain management regulations (continued)

Procurement of services for the sewing of curtains for Exarro houses was made to Incema Co-operative for an amount of R45 860.00 on 4 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the supply of keys for the Toyota Corolla DCT484MP was made to NTT Toyota for an amount of R2 430.10 on 23 September 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for strip and quote for the repair of DJY210MP was made to Middelburg MAN for an amount of R18 538.09 on 24 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hiring of a water truck was made to Look Ahead (Pty) Ltd for an amount of R45 657.00 on 18 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hiring of a water truck was made to Majuly Business Construction for an amount of R11 970.00 on 18 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of refrigeration dryer units, replacement of fan motors, control units and elements was made to Purion Networks (Pty) Ltd for an amount of R11 193.32 on 18 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the strip and quote for FDV712MP was made to Rondebuild Colliery (Pty) Ltd for an amount of R15 169.93 on 15 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency hire of a crane was made to H.T. Pumps & Plant for an amount of R11 970.00 on 14 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement for the services of strip and quote for no 3 gearbox and motor was made to Flow Well Pumps for an amount of R96 216.00 on 10 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the installation of steel safety rails at Delmas Waste Water Treatment Plant treatment aeration bridges walkways was made to Winders and Electrical Services for an amount of R85 454.85 on 9 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the supply of engraved granite stones for the handover of Exarro houses was made to Africa Tombstones for an amount of R6 000.00 on 9 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of the Homa and the ABS pumps for Botleng Waste Water Treatment Works was made to N and C Maintenance and Spares for an amount of R85 859.37 on 21 November 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the attendance of a course attended by Mr Masislela was made to The Fire Protection Association of South Africa for an amount of R5 865.30 on 13 November 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for micro organisms for the Delmas Waste Water Works was made to Altius Environmentals (Pty) Ltd for an amount of R29 907.90 on 21 November 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of FNF571MP was made to Delmas Nissan for an amount R8 970.68 on 5 November 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

**51. Deviation from supply chain management regulations (continued)**

Procurement of services for the emergency repair of the Sundra reservoir telemetry system was made to D & G Installation Systems for an amoutn of R27 930.00 on 11 December 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of defective test equipment was made to Workshop Electronics for an amount of R9 441.48 on 13 December 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair of three pumps for Botleng and Delmas Waste Water Treatment Plant was made to Ihlubi Trading Eneterprises for an amount of R148 268.90 on 19 December 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the strip and repair of refuse truck FNP107MP was made to Le Roux Motors for an amount of R8 343.01 on 23 January 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the repair and servicing of a septic tanker HBH002MP was made to McCarthy Commercial Vehilce for an amount of R6 828.28 on 23 January 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the strip and repair of a refuse truck BLY612MP was made to Clutch and Brake Services for an amount of R15 401.40 on 17 January 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of the down flow valves at the water treatment plant was made to Product Solutions for an amount of R179 538.60 on 6 January 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the supply and installation of new 45kW motor for extension 44 pump station number 1 was made to Flow Well Pumps for an amount of R54 207.00 on 6 January 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the purchasing of repair parts for the water tanker truck DJY210MP was made to Middelburg Man for an amount of R2 103.86 on 6 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of good and services for the repair of the pressure pump for the vacuum tanker truck HBH002MP was made to JD Hydraulics for an amount of R17 973.73 on 6 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency repair of Botleng Extension 4 borehole electrical panel was made to Electpanel for an amount of R24 019.80 on 14 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the servicing and repair of the LDV bakkie FNF561MP was made to Delmas Nissan for an amount of R15 970.55 on 18 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the installation of an oil cooler for vacuum tank truck HBH002MP was made to TFM Industries for an amount of R16 021.20 on 20 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and service of the water tanker truck FTG387MP was made to Le Roux Motors for an amount R23 066.38 on 24 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of good for the emergency replacement of sewer pump at golf course sewer pump station was made to Flow Well Pumps for an amount of R319 300.32 on 4 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

### 51. Deviation from supply chain management regulations (continued)

Procurement of goods and services for the emergency repair of electrical cables and equipment at Modder Bee water pump station was made to Electpanel for an amount of R28 075.92 on 4 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the Isuzu HC300 Compactor for the refuse truck FNP107MP was made to TFM Industries for an amount of R2 536.50 on 4 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement for services for the emergency repair of the electrical panel of the Golf Course sewer pump was made to Electpanel for an amount of R14 053.92 on 4 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the supply of a new brake master cylinder and booster on CAT966 loader was made to Steadfast Engineering for an amount of R70 623.00 on 7 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency repair of three sewer pumps , ABS pump and faulty pump for Delpark and Golf Course 30kW motor for old Botleng plant was made to Ihlubi Trading Enterprise for an amount of R151 823.89 on 10 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of pumps and motors for the Golf Course, Extenstion 14 pump station and Delmas Waste Water Treatment Works was made to Blogzone Trading for an amount of R110 262.60 on 13 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency intervention pertaining the smell originating from the Delmas Waste Water Treatment Works was made to Millchem for an amount of R214 320.00 on 13 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair and servicing of a refuse truck FHF746MP was made to McCarthy Commercial Vehicle for an amount of R15 809.68 on 14 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency repair of the telemetry at the Modder Bee Water pump station was made to D & G Installation Systems CC for an amount of R17 929.92 on 14 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the emergency repair of the Botleng reservoir was made to Rozello Multi Construction for an amount of R208 323.60 on 15 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hire of a crane truck to replace faulty transformers at Botleng B field borehole was made to HT Pump and Plant for an amount of R3 990.00 on 25 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods and services for the replacement of a fualty 11kV cable between substation A18c and A18f was made to Globe Electrical Witbank for an amount of R176 574.60 on 27 March 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of the ASB pump and moter at Botleng old sewer work was made to Joe Mothupis Trading Enterprise for an amount of R60 586.53 on 6 May 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair fo the aerator gearbox at Delmas sewer work was made to Flow Well Pumps for an amount of R81 333.30 on 6 May 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of pumps was made to Ihlubi Trading Enterprises for an amount of R121 600.85 on 6 May 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

### 51. Deviation from supply chain management regulations (continued)

Procurement of services for the repair of three mixes at Botleng Waste Water Treatment Works was made to Blogzone Trading for an amount of R88 411.09 on 6 May 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the repair of aerator nr 3 at Botleng Waste Water Treatment Works was made to Ndalama Armature Winders CC for an amount of R83 375.97 on 7 May 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the digging of graves was made to Vito Fabrication & Industrial CC for an amount of R2 736.00 on 15 May 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of a water outlet flow meter for the waste water treatment plant for an amount of R46 636.82 from Water Engineers on 26 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hiring of a water truck from Look Ahead (Pty) Ltd for an amount of R127 506.15 on 30 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the emergency supply of a backup generator from Mayivuthe Contractors for an amount of R10 164.92 on 11 October 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of goods for the cleaning of blockages in the sewer infrastructure from Khuduyane Quigley (Pty) Ltd for an amount of R14 934.00 on 21 November 2013.
Reason: In terms of Supply Chain Management Regulations Section 36.

Procurement of services for the hiring of a water truck from Majully Business Construction for an amount R11 970.00 on 14 February 2014.
Reason: In terms of Supply Chain Management Regulations Section 36.

### 52. Budget differences on the Appropriation Statement

**Material differences between budget and actual amounts**

The excess of actual expenditure over the final budget of 10% is explained in the table below. There were no other material differences between the final budget and the actual amounts. Refer to the Appropriation Statement for detail.

**52. Budget differences on the Appropriation Statement (continued)**

| Material variances | Material variance | Material variance % | Explanations for variances |
| --- | --- | --- | --- |
| Investment revenue | (133 504) | (15)% | The performance of the investment on the market was lower than anticipated. |
| Other own revenue | 12 914 546 | 34 % | Additional income from agency services was received which was beyond the expectations of the municipality. |
| Employee costs | (11 091 800) | (13)% | The increase in employee costs was as a result of overtime incurred during the financial year. |
| Debt impairment | (166 398 100) | (867)% | The basis for the calculation of debt impairment has been changed and resulted in a more accurate amount. |
| Depreciation and impairment | (46 075 747) | (771)% | A new asset register has been adopted which resulted in an increase in the fair value of the assets, as a result the depreciation also increased. |
| Finance charges | (2 859 105) | (197)% | A new loan has been entered into which had a significant impact on the finance cost that was budgeted for. |
| Transfers and grants | (2 645 661) | (32)% | Additional subsidies to indigents were provided and as a result in the increase of indigents during the year. |
| | **(216 289 371)** | **(1 861)%** | |

## Schedule of external loans as at 30 June 2014

| | Loan Number | Redeemable | Balance at 30 June 2013<br>Rand | Received during the period<br>Rand | Redeemed written off during the period<br>Rand | Balance at 30 June 2014<br>Rand |
|---|---|---|---|---|---|---|
| **Long-term loans** | | | | | | |
| Development Bank of Southern Africa | 61001052 | 2015/12/31 | 32 141 | - | 12 850 | 19 291 |
| Development Bank of Southern Africa | 61001053 | 2020/12/31 | 7 002 637 | - | 742 755 | 6 259 882 |
| ABSA | 30-1164-4527 | 2014/02/28 | 223 407 | - | 223 407 | - |
| ABSA | 30-2482-8114 | 2016/02/01 | 2 443 679 | - | 933 289 | 1 510 390 |
| ABSA | 30-2417-5133 | 2015/01/31 | 1 004 803 | - | 659 545 | 345 258 |
| ABSA | 30-1214-0833 | 2014/05/31 | 308 779 | - | 308 779 | - |
| ABSA | 30-1189-3902 | 2014/03/31 | 251 625 | - | 251 625 | - |
| Nedbank | | 2015/01/31 | - | 16 000 000 | 1 030 585 | 14 969 415 |
| | | | **11 267 071** | **16 000 000** | **4 162 835** | **23 104 236** |
| **Total external loans** | | | | | | |
| Long-term loans | | | 11 267 071 | 16 000 000 | 4 162 835 | 23 104 236 |
| | | | **11 267 071** | **16 000 000** | **4 162 835** | **23 104 236** |

# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land | 589 318 750 | - | - | - | - | **-** | **589 318 750** | - | - | - | - | - | **-** | 589 318 750 |
| Buildings | 167 508 723 | 4 554 766 | - | - | - | **-** | **172 063 489** | (53 772 972) | - | - | (9 728 894) | - | **(63 501 866)** | 108 561 623 |
| | **756 827 473** | **4 554 766** | **-** | **-** | **-** | **-** | **761 382 239** | **(53 772 972)** | **-** | **-** | **(9 728 894)** | **-** | **(63 501 866)** | **697 880 373** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads | 415 951 062 | 15 398 946 | - | - | - | **-** | **431 350 008** | (190 260 679) | - | - | (14 671 067) | - | **(204 931 746)** | 226 418 262 |
| Electricity | 134 966 194 | 2 146 824 | - | - | - | **3 902 243** | **141 015 261** | (76 379 393) | - | - | (4 942 755) | - | **(81 322 148)** | 59 693 113 |
| Water | 375 393 741 | 2 489 259 | - | - | - | **114 015 214** | **491 898 214** | (182 092 679) | - | - | (10 439 157) | - | **(192 531 836)** | 299 366 378 |
| Sanitation | 280 795 004 | 7 491 | - | - | - | **3 476 434** | **284 278 929** | (138 949 467) | - | - | (7 416 757) | - | **(146 366 224)** | 137 912 705 |
| | **1 207 106 001** | **20 042 520** | **-** | **-** | **-** | **121 393 891** | **1 348 542 412** | **(587 682 218)** | **-** | **-** | **(37 469 736)** | **-** | **(625 151 954)** | **723 390 458** |

# Appendix B

June 2014

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Other | 945 362 | - | - | - | - | **-** | **945 362** | - | - | - | - | - | **-** | 945 362 |
| | **945 362** | **-** | **-** | **-** | **-** | **-** | **945 362** | **-** | **-** | **-** | **-** | **-** | **-** | **945 362** |
| **Other assets** | | | | | | | | | | | | | | |
| Emergency Equipment | 1 699 626 | - | - | - | - | **-** | **1 699 626** | (182 681) | - | - | (306 839) | - | **(489 520)** | 1 210 106 |
| Plant & equipment | 1 324 201 | 608 310 | - | - | - | **-** | **1 932 511** | (177 914) | - | - | (244 333) | - | **(422 247)** | 1 510 264 |
| Motor Vehicles | 10 476 997 | 630 570 | - | - | - | **-** | **11 107 567** | (1 244 886) | - | - | (470 409) | - | **(1 715 295)** | 9 392 272 |
| Furniture & Fittings | 3 348 546 | 189 967 | - | - | - | **-** | **3 538 513** | (607 469) | - | - | (454 481) | - | **(1 061 950)** | 2 476 563 |
| Office Equipment | 2 421 769 | 523 873 | - | - | - | **-** | **2 945 642** | (238 848) | - | - | (584 889) | - | **(823 737)** | 2 121 905 |
| | **19 271 139** | **1 952 720** | **-** | **-** | **-** | **-** | **21 223 859** | **(2 451 798)** | **-** | **-** | **(2 060 951)** | **-** | **(4 512 749)** | **16 711 110** |

# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 756 827 473 | 4 554 766 | - | - | - | **-** | **761 382 239** | (53 772 972) | - | - | (9 728 894) | - | **(63 501 866)** | 697 880 373 |
| Infrastructure | 1 207 106 001 | 20 042 520 | - | - | - | **121 393 891** | **1 348 542 412** | (587 682 218) | - | - | (37 469 736) | - | **(625 151 954)** | 723 390 458 |
| Heritage assets | 945 362 | - | - | - | - | **-** | **945 362** | - | - | - | - | - | **-** | 945 362 |
| Other assets | 19 271 139 | 1 952 720 | - | - | - | **-** | **21 223 859** | (2 451 798) | - | - | (2 060 951) | - | **(4 512 749)** | 16 711 110 |
| | **1 984 149 975** | **26 550 006** | **-** | **-** | **-** | **121 393 891** | **2 132 093 872** | **(643 906 988)** | **-** | **-** | **(49 259 581)** | **-** | **(693 166 569)** | **1 438 927 303** |
| **Intangible assets** | | | | | | | | | | | | | | |
| Servitudes | 5 603 350 | - | - | - | - | **-** | **5 603 350** | - | - | - | - | - | **-** | 5 603 350 |
| | **5 603 350** | **-** | **-** | **-** | **-** | **-** | **5 603 350** | **-** | **-** | **-** | **-** | **-** | **-** | **5 603 350** |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 46 798 525 | - | - | - | - | **-** | **46 798 525** | (11 739 210) | - | - | (2 795 584) | - | **(14 534 794)** | 32 263 731 |
| | **46 798 525** | **-** | **-** | **-** | **-** | **-** | **46 798 525** | **(11 739 210)** | **-** | **-** | **(2 795 584)** | **-** | **(14 534 794)** | **32 263 731** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 756 827 473 | 4 554 766 | - | - | - | **-** | **761 382 239** | (53 772 972) | - | - | (9 728 894) | - | **(63 501 866)** | 697 880 373 |
| Infrastructure | 1 207 106 001 | 20 042 520 | - | - | - | **121 393 891** | **1 348 542 412** | (587 682 218) | - | - | (37 469 736) | - | **(625 151 954)** | 723 390 458 |
| Heritage assets | 945 362 | - | - | - | - | **-** | **945 362** | - | - | - | - | - | **-** | 945 362 |
| Other assets | 19 271 139 | 1 952 720 | - | - | - | **-** | **21 223 859** | (2 451 798) | - | - | (2 060 951) | - | **(4 512 749)** | 16 711 110 |
| Intangible assets | 5 603 350 | - | - | - | - | **-** | **5 603 350** | - | - | - | - | - | **-** | 5 603 350 |
| Investment properties | 46 798 525 | - | - | - | - | **-** | **46 798 525** | (11 739 210) | - | - | (2 795 584) | - | **(14 534 794)** | 32 263 731 |
| | **2 036 551 850** | **26 550 006** | **-** | **-** | **-** | **121 393 891** | **2 184 495 747** | **(655 646 198)** | **-** | **-** | **(52 055 165)** | **-** | **(707 701 363)** | **1 476 794 384** |

# Appendix B
June 2014

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Land and buildings** | | | | | | | | | | | | | | |
| Land | 589 318 750 | - | - | - | - | **-** | **589 318 750** | - | - | - | - | - | **-** | 589 318 750 |
| Buildings | 166 994 625 | 514 098 | - | - | - | **-** | **167 508 723** | (44 238 281) | - | - | (9 534 691) | - | **(53 772 972)** | 113 735 751 |
| | **756 313 375** | **514 098** | **-** | **-** | **-** | **-** | **756 827 473** | **(44 238 281)** | **-** | **-** | **(9 534 691)** | **-** | **(53 772 972)** | **703 054 501** |
| **Infrastructure** | | | | | | | | | | | | | | |
| Roads | 396 464 740 | 4 467 537 | - | - | - | **15 018 786** | **415 951 063** | (175 969 598) | - | - | (14 291 081) | - | **(190 260 679)** | 225 690 384 |
| Electricity | 130 303 367 | 4 662 827 | - | - | - | **-** | **134 966 194** | (71 940 168) | - | - | (4 439 224) | - | **(76 379 392)** | 58 586 802 |
| Water | 374 697 490 | 563 196 | - | - | - | **133 055** | **375 393 741** | (171 789 573) | - | - | (10 303 105) | - | **(182 092 678)** | 193 301 063 |
| Sanitation | 280 766 917 | 23 584 | - | - | - | **4 504** | **280 795 005** | (131 534 101) | - | - | (7 415 366) | - | **(138 949 467)** | 141 845 538 |
| | **1 182 232 514** | **9 717 144** | **-** | **-** | **-** | **15 156 345** | **1 207 106 003** | **(551 233 440)** | **-** | **-** | **(36 448 776)** | **-** | **(587 682 216)** | **619 423 787** |

# Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Heritage assets** | | | | | | | | | | | | | | |
| Other | 945 362 | - | - | - | - | **-** | **945 362** | - | - | - | - | - | **-** | 945 362 |
| | **945 362** | **-** | **-** | **-** | **-** | **-** | **945 362** | **-** | **-** | **-** | **-** | **-** | **-** | **945 362** |
| **Other assets** | | | | | | | | | | | | | | |
| Emergency Equipment | 1 672 626 | 27 000 | - | - | - | **-** | **1 699 626** | (19 142) | - | - | (163 539) | - | **(182 681)** | 1 516 945 |
| Plant & equipment | 1 248 505 | 75 696 | - | - | - | **-** | **1 324 201** | (44 351) | - | - | (133 563) | - | **(177 914)** | 1 146 287 |
| Motor Vehicles | 8 968 485 | 1 508 512 | - | - | - | **-** | **10 476 997** | (829 946) | - | - | (414 715) | - | **(1 244 661)** | 9 232 336 |
| Furniture & Fittings | 3 227 314 | 121 232 | - | - | - | **-** | **3 348 546** | (185 869) | - | - | (421 600) | - | **(607 469)** | 2 741 077 |
| Office Equipment | 2 128 165 | 293 603 | - | - | - | **-** | **2 421 768** | (33 481) | - | - | (205 590) | - | **(239 071)** | 2 182 697 |
| | **17 245 095** | **2 026 043** | **-** | **-** | **-** | **-** | **19 271 138** | **(1 112 789)** | **-** | **-** | **(1 339 007)** | **-** | **(2 451 796)** | **16 819 342** |

## Analysis of property, plant and equipment as at 30 June 2013

| | Cost/Revaluation | | | | | | | Accumulated depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment loss Rand | Closing Balance Rand | Carrying value Rand |
| **Total property plant and equipment** | | | | | | | | | | | | | | |
| Land and buildings | 756 313 375 | 514 098 | - | - | - | **-** | **756 827 473** | (44 238 281) | - | - | (9 534 691) | - | **(53 772 972)** | 703 054 501 |
| Infrastructure | 1 182 232 514 | 9 717 144 | - | - | - | **15 156 345** | **1 207 106 003** | (551 233 440) | - | - | (36 448 776) | - | **(587 682 216)** | 619 423 787 |
| Heritage assets | 945 362 | - | - | - | - | **-** | **945 362** | - | - | - | - | - | **-** | 945 362 |
| Other assets | 17 245 095 | 2 026 043 | - | - | - | **-** | **19 271 138** | (1 112 789) | - | - | (1 339 007) | - | **(2 451 796)** | 16 819 342 |
| | **1 956 736 346** | **12 257 285** | **-** | **-** | **-** | **15 156 345** | **1 984 149 976** | **(596 584 510)** | **-** | **-** | **(47 322 474)** | **-** | **(643 906 984)** | **1 340 242 992** |
| **Intangible assets** | | | | | | | | | | | | | | |
| Servitudes | 5 603 350 | - | - | - | - | **-** | **5 603 350** | - | - | - | - | - | **-** | 5 603 350 |
| | **5 603 350** | **-** | **-** | **-** | **-** | **-** | **5 603 350** | **-** | **-** | **-** | **-** | **-** | **-** | **5 603 350** |
| **Investment properties** | | | | | | | | | | | | | | |
| Investment property | 46 798 525 | - | - | - | - | **-** | **46 798 525** | (8 943 626) | - | - | (2 795 584) | - | **(11 739 210)** | 35 059 315 |
| | **46 798 525** | **-** | **-** | **-** | **-** | **-** | **46 798 525** | **(8 943 626)** | **-** | **-** | **(2 795 584)** | **-** | **(11 739 210)** | **35 059 315** |
| **Total** | | | | | | | | | | | | | | |
| Land and buildings | 756 313 375 | 514 098 | - | - | - | **-** | **756 827 473** | (44 238 281) | - | - | (9 534 691) | - | **(53 772 972)** | 703 054 501 |
| Infrastructure | 1 182 232 514 | 9 717 144 | - | - | - | **15 156 345** | **1 207 106 003** | (551 233 440) | - | - | (36 448 776) | - | **(587 682 216)** | 619 423 787 |
| Heritage assets | 945 362 | - | - | - | - | **-** | **945 362** | - | - | - | - | - | **-** | 945 362 |
| Other assets | 17 245 095 | 2 026 043 | - | - | - | **-** | **19 271 138** | (1 112 789) | - | - | (1 339 007) | - | **(2 451 796)** | 16 819 342 |
| Intangible assets | 5 603 350 | - | - | - | - | **-** | **5 603 350** | - | - | - | - | - | **-** | 5 603 350 |
| Investment properties | 46 798 525 | - | - | - | - | **-** | **46 798 525** | (8 943 626) | - | - | (2 795 584) | - | **(11 739 210)** | 35 059 315 |
| | **2 009 138 221** | **12 257 285** | **-** | **-** | **-** | **15 156 345** | **2 036 551 851** | **(605 528 136)** | **-** | **-** | **(50 118 058)** | **-** | **(655 646 194)** | **1 380 905 657** |

# Appendix C
June 2014

## Segmental analysis of property, plant and equipment as at 30 June 2014

| | Cost/Revaluation | | | | | | | Accumulated Depreciation | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Opening Balance Rand | Additions Rand | Disposals Rand | Transfers Rand | Revaluations Rand | Work-in-progress Rand | Closing Balance Rand | Opening Balance Rand | Disposals Rand | Transfers Rand | Depreciation Rand | Impairment deficit Rand | Closing Balance Rand | Carrying value Rand |
| **Municipality** | | | | | | | | | | | | | | |
| Executive & Council/Mayor and Council | 1 141 123 | 144 103 | - | - | - | - | 1 285 226 | (101 291) | - | - | (159 709) | - | (261 000) | 1 024 226 |
| Finance & Admin/Finance | 755 038 | 843 260 | - | - | - | - | 1 598 298 | (94 006) | - | - | (183 235) | - | (277 241) | 1 321 057 |
| Technical | 159 696 | - | - | - | - | - | 159 696 | (25 020) | - | - | (20 613) | - | (45 633) | 114 063 |
| Corporate Services | 852 484 | 137 401 | - | - | - | - | 989 885 | (115 034) | - | - | (167 794) | - | (282 828) | 707 057 |
| Comm. & Social/Libraries and archives | 4 958 725 | 93 835 | - | - | - | - | 5 052 560 | (592 772) | - | - | (706 991) | - | (1 299 763) | 3 752 797 |
| Housing | 8 800 | - | - | - | - | - | 8 800 | (792) | - | - | (1 584) | - | (2 376) | 6 424 |
| Solid Waste | 8 469 036 | 101 | - | - | - | - | 8 469 137 | (354 785) | - | - | (351 045) | - | (705 830) | 7 763 307 |
| Waste Water Management/Sewerage | 272 789 681 | 11 686 | - | - | - | 3 476 434 | 276 277 801 | (138 683 531) | - | - | (7 146 693) | - | (145 830 224) | 130 447 577 |
| Road Transport/Roads | 1 182 904 793 | 20 662 282 | - | - | - | - | 1 203 567 075 | (245 362 943) | - | - | (25 004 538) | - | (270 367 481) | 933 199 594 |
| Water/Water Distribution | 375 994 077 | 2 507 530 | - | - | - | 114 015 214 | 492 516 821 | (182 160 132) | - | - | (10 545 205) | - | (192 705 337) | 299 811 484 |
| Electricity /Electricity Distribution | 135 171 161 | 2 149 809 | - | - | - | 3 902 243 | 141 223 213 | (76 416 680) | - | - | (4 972 175) | - | (81 388 855) | 59 834 358 |
| | **1 983 204 614** | **26 550 007** | **-** | **-** | **-** | **121 393 891** | **2 131 148 512** | **(643 906 986)** | **-** | **-** | **(49 259 582)** | **-** | **(693 166 568)** | **1 437 981 944** |
| **Total** | | | | | | | | | | | | | | |
| Municipality | 1 983 204 614 | 26 550 007 | - | - | - | 121 393 891 | 2 131 148 512 | (643 906 986) | - | - | (49 259 582) | - | (693 166 568) | 1 437 981 944 |
| | **1 983 204 614** | **26 550 007** | **-** | **-** | **-** | **121 393 891** | **2 131 148 512** | **(643 906 986)** | **-** | **-** | **(49 259 582)** | **-** | **(693 166 568)** | **1 437 981 944** |

## Appendix D
June 2014

### Segmental Statement of Financial Performance for the year ended

| Prior Year | | | | Current Year | | |
|---|---|---|---|---|---|---|
| **Actual Income Rand** | **Actual Expenditure Rand** | **Surplus /(Deficit) Rand** | | **Actual Income Rand** | **Actual Expenditure Rand** | **Surpl /(Defic Ran** |
| | | | **Municipality** | | | |
| - | 17 508 085 | (17 508 085) | Executive & Council/Mayor and Council | - | 24 734 239 | (24 73 |
| 72 578 080 | 29 582 022 | 42 996 058 | Finance & Admin/Finance | 87 052 149 | 24 941 852 | 62 11 |
| - | 2 254 666 | (2 254 666) | Planning and Development/Economic Development/Plan | - | 3 107 778 | (3 10 |
| - | 767 348 | (767 348) | Health/Clinics | - | 747 511 | (74 |
| 2 377 881 | 12 523 329 | (10 145 448) | Comm. & Social/Libraries and archives | 740 197 | 6 612 610 | (5 87 |
| 410 687 | 303 756 | 106 931 | Housing | 389 866 | 1 453 955 | (1 06 |
| 3 050 396 | 12 082 325 | (9 031 929) | Public Safety/Police | 2 538 481 | 12 727 780 | (10 18 |
| 3 600 | 5 446 756 | (5 443 156) | Sport and Recreation | 345 871 | 5 889 772 | (5 54 |
| 142 951 556 | 21 581 868 | 121 369 688 | Environmental Protection/Pollution Control | (151 235 486) | 27 621 083 | (178 85 |
| 10 928 682 | 24 765 453 | (13 836 771) | Waste Water Management/Sewerage | 14 093 335 | 27 654 354 | (13 56 |
| 40 547 578 | 29 223 297 | 11 324 281 | Road Transport/Roads | 40 363 715 | 39 335 991 | 1 02 |
| 65 018 202 | 57 496 631 | 7 521 571 | Water/Water Distribution | 74 097 167 | 57 433 339 | 16 66 |
| 80 300 473 | 81 169 352 | (868 879) | Electricity /Electricity Distribution | 101 693 403 | 94 912 723 | 6 78 |
| 73 950 | 14 745 654 | (14 671 704) | Other/Air Transport | 65 593 | 11 435 837 | (11 37 |
| **418 241 085** | **309 450 542** | **108 790 543** | | **170 144 291** | **338 608 824** | **(168 46** |
| | | | **Municipal Owned Entities** | | | |
| | | | **Other charges** | | | |
| 418 241 085 | 309 450 542 | 108 790 543 | Municipality | 170 144 291 | 338 608 824 | (168 46 |
| **418 241 085** | **309 450 542** | **108 790 543** | **Total** | **170 144 291** | **338 608 824** | **(168 46** |

## Appendix E(1)
June 2014

# Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2014

| | Current year 2012 Act. Bal. Rand | Current year 2012 Adjusted budget Rand | Variance Rand | Var | Explanation of Significant Variances greater than 10% versus Budget |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Property rates | 43 846 922 | 43 420 140 | 426 782 | 1,0 | |
| Service charges | 160 822 238 | 147 441 739 | 13 380 499 | 9,1 | |
| Rental of facilities and equipment | 25 937 548 | 2 223 908 | 23 713 640 | 066,3 | |
| Interest received (Consumer Debtors) | 21 526 047 | 20 481 817 | 1 044 230 | 5,1 | |
| Income from agency services | 15 901 868 | 11 821 113 | 4 080 755 | 34,5 | More customers renewed their licences at the Municipality than at other service points. |
| Licences and permits | 2 299 828 | 2 293 191 | 6 637 | 0,3 | |
| Grant and subsidies | 59 308 960 | 58 109 000 | 1 199 960 | 2,1 | |
| Administration and management fees received | 2 749 566 | - | 2 749 566 | - | |
| Fines | 123 962 | 127 848 | (3 886) | (3,0) | |
| Fair value adjustment | 31 815 | 5 267 | 26 548 | 504,0 | The investments performed better than anticipated. |
| Royalties received | 2 514 777 | - | 2 514 777 | - | |
| Discount received | 52 222 | 74 712 | (22 490) | (30,1) | |
| Sundry income | 5 216 748 | 1 364 269 | 3 852 479 | 282,4 | Sundry fees increased due to an increase in demand for the services rendered. |
| Interest received - investment | 771 921 | 905 425 | (133 504) | (14,7) | Interest on the investment decreased due to a decrease in the net cash balance. |
| | 341 104 422 | 288 268 429 | 52 835 993 | 18,3 | |
| Expenses | | | | | |
| Personnel | (95 827 595) | (84 790 179) | (11 037 416) | 13,0 | Overtime due to a shortage of staff in service delivery sections. |
| Remuneration of councillors | (5 892 045) | (5 353 752) | (538 293) | 10,1 | |
| Depreciation | (52 055 166) | (5 979 419) | (46 075 747) | 770,6 | Depreciation not fully budgeted for as the impact of the full amount on tariff increases must be considered when the budget is done. |
| Finance costs | (4 311 190) | (1 339 204) | (2 971 986) | 221,9 | A new loan was entered into after the approval of the budget for the 2013/2014 year. |
| Debt impairment | (185 578 932) | (19 935 366) | (165 643 566) | 830,9 | An increase in the non-payment of services. |
| Collection costs | - | (535 000) | 535 000 | (100,0) | |
| Repairs and maintenance - General | (5 932 677) | (21 424 280) | 15 491 603 | (72,3) | Capital expenditure budgeted for under repairs and maintenance have been capitalised. |
| Bulk purchases | (91 981 071) | (94 579 418) | 2 598 347 | (2,7) | |
| Contracted Services | (15 326 316) | (7 395 591) | (7 930 725) | 107,2 | An increase in consulting fees for MIG projects. |
| Grants and subsidies paid | (10 851 740) | (8 232 379) | (2 619 361) | 31,8 | An increase in subsidies due to an increase in the indigent registrations. |
| General Expenses | (37 371 266) | (38 726 120) | 1 354 854 | (3,5) | |
| | (505 127 998) | (288 290 708) | (216 837 290) | 75,2 | |
| Other revenue and costs | | | | | |
| Fair value adjustments | 31 815 | 5 267 | 26 548 | 504,0 | |
| | 31 815 | 5 267 | 26 548 | 504,0 | |
| Net surplus/ (deficit) for the year | (163 991 761) | (17 012) | (163 974 749) | 877,0 | |

## Appendix E(2)
June 2014

# Budget Analysis of Capital Expenditure as at 30 June 2014

| | Additions | Original Budget | Revised Budget | Variance | Variance | Explanation of sig variances from b |
|---|---|---|---|---|---|---|
| | Rand | Rand | Rand | Rand | % | |
| **Municipality** | | | | | | |
| Executive & Council/Mayor and Council | 319 000 | 144 103 | 144 103 | (174 897) | **(121)** | Assets were purchased based per vote and was transferred b votes. |
| Finance & Admin/Finance | 197 000 | 843 260 | 843 260 | 646 260 | **77** | Assets were purchased based per vote and was transferred b votes. |
| Comm. & Social/Libraries and archives | 3 887 000 | 93 835 | 93 835 | (3 793 165) | **(4 042)** | Assets were purchased based per vote and was transferred b votes. |
| Environmental Protection/Pollution Control | 101 | 101 | 101 | - | **-** | |
| Waste Water Management/Sewerage | 3 435 000 | 11 686 | 11 686 | (3 423 314) | **(29 294)** | Assets were purchased based per vote and was transferred b votes. |
| Road Transport/Roads | 6 190 000 | 20 662 282 | 20 662 282 | 14 472 282 | **70** | Assets were purchased based per vote and was transferred b votes. |
| Water/Water Distribution | 9 090 000 | 2 507 530 | 2 507 530 | (6 582 470) | **(263)** | Assets were purchased based per vote and was transferred b votes. |
| Electricity /Electricity Distribution | 3 481 000 | 2 149 809 | 2 149 809 | (1 331 191) | **(62)** | Assets were purchased based per vote and was transferred b votes. |
| Corporate Services | 147 000 | 137 401 | 137 401 | (9 599) | **(7)** | Assets were purchased based per vote and was transferred b votes. |
| | **26 746 101** | **26 550 007** | **26 550 007** | **(196 094)** | **(1)** | |

**Appendix F**
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**
June 2014

| Name of Grants | Name of organ of state or municipal entity | Quarterly Receipts | | | | Quarterly Expenditure | | | | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Sep | Dec | Mar | Jun | Sep | Dec | Mar | Jun | Yes/ No |
| Financial Managment Grant (FMG) | National Treasury | 1 550 000 | - | - | - | 170 561 | 486 493 | 297 859 | 595 087 | Yes |
| Municipal Systems Improvement Grant | National Treasury | 890 000 | - | - | - | 239 007 | 552 513 | 21 425 | 77 055 | Yes |
| Municipal Infrastructure Grant (MIG) | National Treasury | 6 938 000 | - | 16 695 000 | 300 000 | - | 932 645 | 9 968 665 | 12 731 690 | Yes |
| Equitable Share | National Treasury | 22 585 000 | 17 397 000 | 13 551 000 | - | 22 585 000 | 17 397 000 | 13 551 000 | - | Yes |
| Expanded Public Works Programme (EPWP) | National Treasury | 1 256 960 | 440 000 | 439 000 | - | 607 601 | 694 823 | 574 382 | 259 154 | Yes |
| )DOE | National Treasury | 300 000 | 600 000 | - | 300 000 | - | 110 521 | 480 602 | 608 877 | Yes |
| | | - | - | - | - | - | - | - | - | Yes |
| | | 33 519 960 | 18 437 000 | 30 685 000 | 600 000 | 23 602 169 | 20 173 995 | 24 893 933 | 14 271 863 | |

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

# Appendix G1
# Budgeted Financial Performance (revenue and expenditure by standard classification)
# for the year ended 30 June 2014

| | 2014/2013 | | | | | | | | | | | | 2013/2012 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Revenue - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **85 533 929** | **1 694 162** | **87 228 091** | **-** | | **87 228 091** | **87 117 742** | | **(110 349)** | **100 %** | **102 %** | | | | **72 652 030** |
| Budget and treasury office | 85 452 570 | 1 699 853 | 87 152 423 | - | | 87 152 423 | 87 052 149 | | (100 274) | 100 % | 102 % | | | | 72 578 080 |
| Corporate services | 81 359 | (5 691) | 75 668 | - | | 75 668 | 65 593 | | (10 075) | 87 % | 81 % | | | | 73 950 |
| **Community and public safety** | **7 797 364** | **2 951 438** | **10 748 802** | **-** | | **10 748 802** | **4 014 415** | | **(6 734 387)** | **37 %** | **51 %** | | | | **5 842 564** |
| Community and social services | 3 548 854 | 1 547 891 | 5 096 745 | - | | 5 096 745 | 740 197 | | (4 356 548) | 15 % | 21 % | | | | 2 377 881 |
| Sport and recreation | 5 000 | **1 400** | 6 400 | - | | 6 400 | 345 871 | | 339 471 | 5 404 % | 6 917 % | | | | 3 600 |
| Public safety | 3 789 626 | 1 322 937 | 5 112 563 | - | | 5 112 563 | 2 538 481 | | (2 574 082) | 50 % | 67 % | | | | 3 050 396 |
| Housing | 453 884 | 79 210 | 533 094 | - | | 533 094 | 389 866 | | (143 228) | 73 % | 86 % | | | | 410 687 |
| **Economic and environmental services** | **7 701 728** | **(4 337 470)** | **3 364 258** | **-** | | **3 364 258** | **40 363 715** | | **36 999 457** | **1 200 %** | **524 %** | | | | **40 547 578** |
| Road transport | 7 701 728 | (4 337 470) | 3 364 258 | - | | 3 364 258 | 40 363 715 | | 36 999 457 | 1 200 % | 524 % | | | | 40 547 578 |
| **Trading services** | **190 996 138** | **3 527 312** | **194 523 450** | **-** | | **194 523 450** | **204 291 985** | | **9 768 535** | **105 %** | **107 %** | | | | **170 399 854** |
| Electricity | 92 582 008 | (2 140 948) | 90 441 060 | - | | 90 441 060 | 101 693 403 | | 11 252 343 | 112 % | 110 % | | | | 80 300 473 |
| Water | 75 478 116 | 5 298 799 | 80 776 915 | - | | 80 776 915 | 74 097 167 | | (6 679 748) | 92 % | 98 % | | | | 65 018 202 |
| Waste water management | 11 575 813 | 104 528 | 11 680 341 | - | | 11 680 341 | 14 093 335 | | 2 412 994 | 121 % | 122 % | | | | 10 928 682 |
| Waste management | 11 360 201 | 264 933 | 11 625 134 | - | | 11 625 134 | 14 408 080 | | 2 782 946 | 124 % | 127 % | | | | 14 152 497 |
| **Total Revenue - Standard** | **292 029 159** | **3 835 442** | **295 864 601** | **-** | | **295 864 601** | **335 787 857** | | **39 923 256** | **113 %** | **115 %** | | | | **289 442 026** |

# Appendix G1
# Budgeted Financial Performance (revenue and expenditure by standard classification)
# for the year ended 30 June 2014

| | 2014/2013 | | | | | | | | | | | | | | 2013/2012 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Expenditure - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **75 774 196** | **16 497 277** | **92 271 473** | **-** | **-** | **92 271 473** | **226 755 494** | **-** | **134 484 021** | **246 %** | **299 %** | **-** | **-** | **-** | **(66 963 298)** |
| Executive and council | 25 194 194 | 2 161 303 | 27 355 497 | - | - | 27 355 497 | 24 734 239 | - | (2 621 258) | 90 % | 98 % | - | - | - | 17 508 085 |
| Budget and treasury office | 31 803 661 | 10 891 699 | 42 695 360 | - | - | 42 695 360 | 190 585 418 | - | 147 890 058 | 446 % | 599 % | - | - | - | (99 217 037) |
| Corporate services | 18 776 341 | 3 444 275 | 22 220 616 | - | - | 22 220 616 | 11 435 837 | - | (10 784 779) | 51 % | 61 % | - | - | - | 14 745 654 |
| **Community and public safety** | **25 080 972** | **2 333 365** | **27 414 337** | **-** | **-** | **27 414 337** | **27 431 628** | **-** | **17 291** | **100 %** | **109 %** | **-** | **-** | **-** | **31 123 514** |
| Community and social services | 6 782 941 | (13 241) | 6 769 700 | - | - | 6 769 700 | 6 612 610 | - | (157 090) | 98 % | 97 % | - | - | - | 12 523 329 |
| Sport and recreation | 4 048 165 | 157 074 | 4 205 239 | - | - | 4 205 239 | 5 889 772 | - | 1 684 533 | 140 % | 145 % | - | - | - | 5 446 756 |
| Public safety | 12 727 991 | 1 920 772 | 14 648 763 | - | - | 14 648 763 | 12 727 780 | - | (1 920 983) | 87 % | 100 % | - | - | - | 12 082 325 |
| Housing | 513 771 | (50 485) | 463 286 | - | - | 463 286 | 1 453 955 | - | 990 669 | 314 % | 283 % | - | - | - | 303 756 |
| Health | 1 008 104 | 319 245 | 1 327 349 | - | - | 1 327 349 | 747 511 | - | (579 838) | 56 % | 74 % | - | - | - | 767 348 |
| **Economic and environmental services** | **28 653 004** | **6 010 887** | **34 663 891** | **-** | **-** | **34 663 891** | **42 443 769** | **-** | **7 779 878** | **122 %** | **148 %** | **-** | **-** | **-** | **31 477 963** |
| Planning and development | 5 095 188 | 1 470 460 | 6 565 648 | - | - | 6 565 648 | 3 107 778 | - | (3 457 870) | 47 % | 61 % | - | - | - | 2 254 666 |
| Road transport | 23 557 816 | 4 540 427 | 28 098 243 | - | - | 28 098 243 | 39 335 991 | - | 11 237 748 | 140 % | 167 % | - | - | - | 29 223 297 |
| **Trading services** | **162 492 711** | **(21 006 088)** | **141 486 623** | **-** | **-** | **141 486 623** | **207 621 499** | **-** | **66 134 876** | **147 %** | **128 %** | **-** | **-** | **-** | **185 013 304** |
| Electricity | 67 997 507 | (26 087 675) | 41 909 832 | - | - | 41 909 832 | 94 912 723 | - | 53 002 891 | 226 % | 140 % | - | - | - | 81 169 352 |
| Water | 52 470 180 | 2 711 300 | 55 181 480 | - | - | 55 181 480 | 57 433 339 | - | 2 251 859 | 104 % | 109 % | - | - | - | 57 496 631 |
| Waste water management | 21 400 989 | 2 950 529 | 24 351 518 | - | - | 24 351 518 | 27 654 354 | - | 3 302 836 | 114 % | 129 % | - | - | - | 24 765 453 |
| Waste management | 20 624 035 | (580 242) | 20 043 793 | - | - | 20 043 793 | 27 621 083 | - | 7 577 290 | 138 % | 134 % | - | - | - | 21 581 868 |
| **Total Expenditure - Standard** | **292 000 883** | **3 835 441** | **295 836 324** | **-** | **-** | **295 836 324** | **504 252 390** | **-** | **208 416 066** | **170 %** | **173 %** | **-** | **-** | **-** | **180 651 483** |
| **Surplus/(Deficit) for the year** | **28 276** | **1** | **28 277** | **-** | | **28 277** | **(168 464 533)** | | **(168 492 810)** | **(595 765)%** | **(595 786)%** | | | | **108 790 543** |

# Appendix G2
# Budgeted Financial Performance (revenue and expenditure by municipal vote)
# for the year ended 30 June 2014

| | 2014/2013 | | | | | | | | | | | 2013/2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget<br>Rand | Budget Adjustments (i.t.o. s28 and s31 of the MFMA)<br>Rand | Final adjustments budget<br>Rand | Shifting of funds (i.t.o. s31 of the MFMA)<br>Rand | Virement (i.t.o. Council approved policy)<br>Rand | Final Budget<br>Rand | Actual Outcome<br>Rand | Unauthorised expenditure<br>Rand | Variance of Actual Outcome against Adjustments Budget<br>Rand | Actual Outcome as % of Final Budget<br>Rand | Actual Outcome as % of Original Budget<br>Rand | Reported unauthorised expenditure<br>Rand | Expenditure authorised in terms of section 32 of MFMA<br>Rand | Balance to be recovered<br>Rand | Restated Audited Outcome<br>Rand |
| **Revenue by Vote** | | | | | | | | | | | | | | | |
| Vote 1 - Executive and Council | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Vote 2 - Budget and Treasury | 85 452 570 | 1 699 853 | 87 152 423 | - | | 87 152 423 | 87 052 149 | | (100 274) | 100 % | 102 % | | | | 72 578 080 |
| Vote 3 - Corporate Services | 81 359 | (5 691) | 75 668 | - | | 75 668 | 65 593 | | (10 075) | 87 % | 81 % | | | | 73 950 |
| Vote 4 - Community and Social Services | 3 548 854 | 1 547 891 | 5 096 745 | - | | 5 096 745 | 740 197 | | (4 356 548) | 15 % | 21 % | | | | 2 377 881 |
| Vote 5 - Sport and Recreation | 5 000 | 1 400 | 6 400 | - | | 6 400 | 345 871 | | 339 471 | 5 404 % | 6 917 % | | | | 3 600 |
| Vote 6 - Public Safety | 3 789 626 | 1 322 937 | 5 112 563 | - | | 5 112 563 | 2 538 481 | | (2 574 082) | 50 % | 67 % | | | | 3 050 396 |
| Vote 7 - Housing | 453 884 | 79 210 | 533 094 | - | | 533 094 | 389 866 | | (143 228) | 73 % | 86 % | | | | 410 687 |
| Vote 8 - Health Services | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Vote 9 - Planning and Development | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Vote 10 - Roads Transport | 7 701 728 | (4 337 470) | 3 364 258 | - | | 3 364 258 | 40 363 715 | | 36 999 457 | 1 200 % | 524 % | | | | 40 547 578 |
| Vote 11 - Electricity Services | 92 582 008 | (2 140 948) | 90 441 060 | - | | 90 441 060 | 101 693 403 | | 11 252 343 | 112 % | 110 % | | | | 80 300 473 |
| Vote 12 - Water Services | 75 478 116 | 5 298 799 | 80 776 915 | - | | 80 776 915 | 74 097 167 | | (6 679 748) | 92 % | 98 % | | | | 65 018 202 |
| Vote 13 - Waste Water Management | 11 575 813 | 104 528 | 11 680 341 | - | | 11 680 341 | 14 093 335 | | 2 412 994 | 121 % | 122 % | | | | 10 928 682 |
| Vote 14 - Solid Waste Management | 11 360 201 | 264 933 | 11 625 134 | - | | 11 625 134 | 14 408 080 | | 2 782 946 | 124 % | 127 % | | | | 14 152 497 |
| Example 15 - Vote15 | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Total Revenue by Vote** | **292 029 159** | **3 835 442** | **295 864 601** | **-** | | **295 864 601** | **335 787 857** | | **39 923 256** | **113 %** | **115 %** | | | | **289 442 026** |
| **Expenditure by Vote to be appropriated** | | | | | | | | | | | | | | | |
| Vote 1 - Executive and Council | 25 194 194 | 2 161 303 | 27 355 497 | - | - | 27 355 497 | 24 734 239 | - | (2 621 258) | 90 % | 98 % | - | - | - | 17 508 085 |
| Vote 2 - Budget and Treasury | 31 803 661 | 10 891 699 | 42 695 360 | - | - | 42 695 360 | 190 585 418 | - | 147 890 058 | 446 % | 599 % | - | - | - | (99 217 037) |
| Vote 3 - Corporate Services | 18 776 341 | 3 444 275 | 22 220 616 | - | - | 22 220 616 | 11 435 837 | - | (10 784 779) | 51 % | 61 % | - | - | - | 14 745 654 |
| Vote 4 - Community and Social Services | 6 782 941 | (13 241) | 6 769 700 | - | - | 6 769 700 | 6 612 610 | - | (157 090) | 98 % | 97 % | - | - | - | 12 523 329 |
| Vote 5 - Sport and Recreation | 4 048 165 | 157 074 | 4 205 239 | - | - | 4 205 239 | 5 889 772 | - | 1 684 533 | 140 % | 145 % | - | - | - | 5 446 756 |
| Vote 6 - Public Safety | 12 727 991 | 1 920 772 | 14 648 763 | - | - | 14 648 763 | 12 727 780 | - | (1 920 983) | 87 % | 100 % | - | - | - | 12 082 325 |
| Vote 7 - Housing | 513 771 | (50 485) | 463 286 | - | - | 463 286 | 1 453 955 | - | 990 669 | 314 % | 283 % | - | - | - | 303 756 |
| Vote 8 - Health Services | 1 008 104 | 319 245 | 1 327 349 | - | - | 1 327 349 | 747 511 | - | (579 838) | 56 % | 74 % | - | - | - | 767 348 |
| Vote 9 - Planning and Development | 5 095 188 | 1 470 460 | 6 565 648 | - | - | 6 565 648 | 3 107 778 | - | (3 457 870) | 47 % | 61 % | - | - | - | 2 254 666 |
| Vote 10 - Roads Transport | 23 557 816 | 4 540 427 | 28 098 243 | - | - | 28 098 243 | 39 335 991 | - | 11 237 748 | 140 % | 167 % | - | - | - | 29 223 297 |
| Vote 11 - Electricity Services | 67 997 507 | (26 087 675) | 41 909 832 | - | - | 41 909 832 | 94 912 723 | - | 53 002 891 | 226 % | 140 % | - | - | - | 81 169 352 |
| Vote 12 - Water Services | 52 470 180 | 2 711 300 | 55 181 480 | - | - | 55 181 480 | 57 433 339 | - | 2 251 859 | 104 % | 109 % | - | - | - | 57 496 631 |
| Vote 13 - Waste Water Management | 21 400 989 | 2 950 529 | 24 351 518 | - | - | 24 351 518 | 27 654 354 | - | 3 302 836 | 114 % | 129 % | - | - | - | 24 765 453 |
| Vote 14 - Solid Waste Management | 20 624 035 | (580 242) | 20 043 793 | - | - | 20 043 793 | 27 621 083 | - | 7 577 290 | 138 % | 134 % | - | - | - | 21 581 868 |
| Example 15 - Vote15 | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| **Total Expenditure by Vote** | **292 000 883** | **3 835 441** | **295 836 324** | **-** | **-** | **295 836 324** | **504 252 390** | **-** | **208 416 066** | **170 %** | **173 %** | **-** | **-** | **-** | **180 651 483** |
| **Surplus/(Deficit) for the year** | **28 276** | **1** | **28 277** | **-** | | **28 277** | **(168 464 533)** | | **(168 492 810)** | **(595 765)%** | **(595 786)%** | | | | **108 790 543** |

# Appendix G3
# Budgeted Financial Performance (revenue and expenditure)
# for the year ended 30 June 2014

| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2014/2013 | | | | | | | | | | | | | 2013/2012 | |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Revenue By Source** | | | | | | | | | | | | | | | |
| Property rates | 27 687 420 | 43 428 584 | 71 116 004 | - | | 71 116 004 | 43 855 099 | | (27 260 905) | 62 % | 158 % | | | | 40 112 921 |
| Property rates - penalties & collection charges | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Service charges - electricity revenue | 96 274 775 | 93 483 151 | 189 757 926 | - | | 189 757 926 | 99 499 676 | | (90 258 250) | 52 % | 103 % | | | | 77 862 057 |
| Service charges - water revenue | 62 038 594 | 45 199 250 | 107 237 844 | - | | 107 237 844 | 52 247 455 | | (54 990 389) | 49 % | 84 % | | | | 37 356 424 |
| Service charges - sanitation revenue | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Service charges - refuse revenue | 9 024 271 | 8 759 338 | 17 783 609 | - | | 17 783 609 | 9 075 107 | | (8 708 502) | 51 % | 101 % | | | | 8 184 599 |
| Service charges - other | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Rental of facilities and equipment | 3 909 930 | 2 223 908 | 6 133 838 | - | | 6 133 838 | 2 304 548 | | (3 829 290) | 38 % | 59 % | | | | 2 230 752 |
| Interest earned - external investments | 22 213 221 | 21 387 242 | 43 600 463 | - | | 43 600 463 | 22 297 968 | | (21 302 495) | 51 % | 100 % | | | | 19 900 479 |
| Interest earned - outstanding debtors | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Dividends received | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Fines | 751 200 | 127 848 | 879 048 | - | | 879 048 | 123 962 | | (755 086) | 14 % | 17 % | | | | 262 972 |
| Licences and permits | 3 207 068 | 2 586 859 | 5 793 927 | - | | 5 793 927 | 2 615 950 | | (3 177 977) | 45 % | 82 % | | | | 2 908 107 |
| Agency services | 7 305 718 | 11 527 445 | 18 833 163 | - | | 18 833 163 | 16 170 527 | | (2 662 636) | 86 % | 221 % | | | | 8 421 198 |
| Transfers recognised - operational | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Other revenue | 1 492 962 | 1 368 036 | 2 860 998 | - | | 2 860 998 | 8 490 927 | | 5 629 929 | 297 % | 569 % | | | | 4 863 926 |
| Gains on disposal of PPE | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Total Revenue (excluding capital transfers and contributions)** | **233 905 159** | **230 091 661** | **463 996 820** | **-** | | **463 996 820** | **256 681 219** | | **(207 315 601)** | **55 %** | **110 %** | | | | **202 103 435** |

# Appendix G3
# Budgeted Financial Performance (revenue and expenditure)
# for the year ended 30 June 2014

| | 2014/2013 | | | | | | | | | | | 2013/2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Expenditure By Type** | | | | | | | | | | | | | | | |
| Employee related costs | 102 907 281 | 84 790 179 | 187 697 460 | - | - | 187 697 460 | 95 827 595 | - | (91 869 865) | 51 % | 93 % | - | - | - | 83 580 648 |
| Remuneration of councillors | 6 155 770 | 5 353 752 | 11 509 522 | - | - | 11 509 522 | 5 892 045 | - | (5 617 477) | 51 % | 96 % | - | - | - | 5 438 254 |
| Debt impairment | 46 772 442 | 19 935 366 | 66 707 808 | | - | 66 707 808 | 185 578 932 | - | 118 871 124 | 278 % | 397 % | - | - | - | (90 859 236) |
| Depreciation & asset impairment | 5 979 419 | 5 979 419 | 11 958 838 | | - | 11 958 838 | 52 055 166 | - | 40 096 328 | 435 % | 871 % | - | - | - | 50 118 059 |
| Finance charges | 5 951 484 | 5 951 484 | 11 902 968 | - | - | 11 902 968 | 4 311 190 | - | (7 591 778) | 36 % | 72 % | - | - | - | 909 500 |
| Bulk purchases | 58 307 991 | 94 579 418 | 152 887 409 | - | - | 152 887 409 | 91 981 071 | - | (60 906 338) | 60 % | 158 % | - | - | - | 65 951 949 |
| Other materials | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Contracted services | 10 101 872 | 7 895 591 | 17 997 463 | - | - | 17 997 463 | 18 163 492 | - | 166 029 | 101 % | 180 % | - | - | - | 13 232 914 |
| Transfers and grants | 150 610 | 8 256 508 | 8 407 118 | - | - | 8 407 118 | 10 878 040 | - | 2 470 922 | 129 % | 7 223 % | - | - | - | 13 513 473 |
| Other expenditure | 55 465 552 | 55 248 197 | 110 713 749 | - | - | 110 713 749 | 55 470 006 | - | (55 243 743) | 50 % | 100 % | - | - | - | 49 050 738 |
| Loss on disposal of PPE | - | - | - | - | - | - | - | - | - | DIV/0 % | DIV/0 % | - | - | - | - |
| Total Expenditure | **291 792 421** | **287 989 914** | **579 782 335** | **-** | **-** | **579 782 335** | **520 157 537** | **-** | **(59 624 798)** | **90 %** | **178 %** | **-** | **-** | **-** | **190 936 299** |
| **Surplus/(Deficit)** | **(57 887 262)** | **(57 898 253)** | **(115 785 515)** | **-** | | **(115 785 515)** | **(263 476 318)** | | **(147 690 803)** | **228 %** | **455 %** | | | | **11 167 136** |
| Transfers recognised - capital | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Contributions recognised - capital | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| Contributed assets | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) after capital transfers & contributions** | **(57 887 262)** | **(57 898 253)** | **(115 785 515)** | **-** | | **(115 785 515)** | **(263 476 318)** | | **(147 690 803)** | **228 %** | **455 %** | | | | **11 167 136** |
| Taxation | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) after taxation** | **(57 887 262)** | **(57 898 253)** | **(115 785 515)** | **-** | | **(115 785 515)** | **(263 476 318)** | | **(147 690 803)** | **228 %** | **455 %** | | | | **11 167 136** |
| Attributable to minorities | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) attributable to municipality** | **(57 887 262)** | **(57 898 253)** | **(115 785 515)** | **-** | | **(115 785 515)** | **(263 476 318)** | | **(147 690 803)** | **228 %** | **455 %** | | | | **11 167 136** |
| Share of surplus/ (deficit) of associate | - | - | - | - | | - | - | | - | DIV/0 % | DIV/0 % | | | | - |
| **Surplus/(Deficit) for the year** | **(57 887 262)** | **(57 898 253)** | **(115 785 515)** | **-** | | **(115 785 515)** | **(263 476 318)** | | **(147 690 803)** | **228 %** | **455 %** | | | | **11 167 136** |

# Appendix G4
# Budgeted Capital Expenditure by vote, standard classification and funding
# for the year ended 30 June 2014

| 2014/2013 | | | | | | | | | | | 2013/2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |

# Appendix G4
# Budgeted Capital Expenditure by vote, standard classification and funding
# for the year ended 30 June 2014

| | 2014/2013 | | | | | | | | | | | 2013/2012 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Shifting of funds (i.t.o. s31 of the MFMA) | Virement (i.t.o. Council approved policy) | Final Budget | Actual Outcome | Unauthorised expenditure | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Reported unauthorised expenditure | Expenditure authorised in terms of section 32 of MFMA | Balance to be recovered | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Capital Expenditure - Standard** | | | | | | | | | | | | | | | |
| **Governance and administration** | **4 495 500** | **-** | **4 495 500** | **-** | **-** | **4 495 500** | **662 523** | **-** | **(3 832 977)** | **15 %** | **15 %** | **-** | **-** | **-** | **16 839 227** |
| Executive and council | 4 353 833 | - | 4 353 833 | - | - | 4 353 833 | 318 864 | - | (4 034 969) | 7 % | 7 % | - | - | - | 16 368 590 |
| Budget and treasury office | 129 167 | - | 129 167 | - | - | 129 167 | 196 954 | - | 67 787 | 152 % | 152 % | - | - | - | 466 128 |
| Corporate services | 12 500 | - | 12 500 | - | - | 12 500 | 146 705 | - | 134 205 | 1 174 % | 1 174 % | - | - | - | 4 509 |
| **Community and public safety** | **600 417** | **-** | **600 417** | **-** | **-** | **600 417** | **3 886 905** | **-** | **3 286 488** | **647 %** | **647 %** | **-** | **-** | **-** | **2 166 740** |
| Community and social services | 88 333 | - | 88 333 | - | - | 88 333 | - | - | (88 333) | - % | - % | - | - | - | 318 769 |
| Sport and recreation | 306 667 | - | 306 667 | - | - | 306 667 | 3 431 950 | - | 3 125 283 | 1 119 % | 1 119 % | - | - | - | 1 106 677 |
| Public safety | 205 417 | - | 205 417 | - | - | 205 417 | 454 955 | - | 249 538 | 221 % | 221 % | - | - | - | 741 294 |
| **Economic and environmental services** | **1 026 667** | **-** | **1 026 667** | **-** | **-** | **1 026 667** | **6 189 618** | **-** | **5 162 951** | **603 %** | **603 %** | **-** | **-** | **-** | **3 704 962** |
| Road transport | 1 026 667 | - | 1 026 667 | - | - | 1 026 667 | 6 189 618 | - | 5 162 951 | 603 % | 603 % | - | - | - | 3 704 962 |
| **Trading services** | **2 250 250** | **-** | **2 250 250** | **-** | **-** | **2 250 250** | **16 005 244** | **-** | **13 754 994** | **711 %** | **711 %** | **-** | **-** | **-** | **8 120 540** |
| Electricity | 421 750 | - | 421 750 | - | - | 421 750 | 3 480 525 | - | 3 058 775 | 825 % | 825 % | - | - | - | 1 521 981 |
| Water | 787 667 | - | 787 667 | - | - | 787 667 | 9 089 744 | - | 8 302 077 | 1 154 % | 1 154 % | - | - | - | 2 842 476 |
| Waste water management | 915 833 | - | 915 833 | - | - | 915 833 | 3 434 975 | - | 2 519 142 | 375 % | 375 % | - | - | - | 3 304 992 |
| Waste management | 125 000 | - | 125 000 | - | - | 125 000 | - | - | (125 000) | - % | - % | - | - | - | 451 091 |
| **Total Capital Expenditure - Standard** | **8 372 834** | **-** | **8 372 834** | **-** | **-** | **8 372 834** | **26 744 290** | **-** | **18 371 456** | **319 %** | **319 %** | **-** | **-** | **-** | **30 831 469** |
| **Funded by:** | | | | | | | | | | | | | | | |
| National Government | 2 001 750 | - | 2 001 750 | - | | 2 001 750 | 24 680 641 | | 22 678 891 | 1 233 % | 1 233 % | | | | 7 223 773 |
| District Municipality | 1 152 500 | - | 1 152 500 | - | | 1 152 500 | - | | (1 152 500) | - % | - % | | | | 4 159 060 |
| **Transfers recognised - capital** | **3 154 250** | **-** | **3 154 250** | **-** | | **3 154 250** | **24 680 641** | | **21 526 391** | **782 %** | **782 %** | | | | **11 382 833** |
| Borrowing | 5 185 000 | - | 5 185 000 | - | | 5 185 000 | - | | (5 185 000) | - % | - % | | | | 18 711 259 |
| Internally generated funds | 215 583 | - | 215 583 | - | | 215 583 | 2 063 649 | | 1 848 066 | 957 % | 957 % | | | | 777 980 |
| **Total Capital Funding** | **8 554 833** | **-** | **8 554 833** | **-** | | **8 554 833** | **26 744 290** | | **18 189 457** | **313 %** | **313 %** | | | | **30 872 072** |

# Appendix G5
# Budgeted Cash Flows
# for the year ended 30 June 2014

| | 2014/2013 | | | | | | | | 2013 |
|---|---|---|---|---|---|---|---|---|---|
| | Original Budget | Budget Adjustments (i.t.o. s28 and s31 of the MFMA) | Final adjustments budget | Final Budget | Actual Outcome | Variance of Actual Outcome against Adjustments Budget | Actual Outcome as % of Final Budget | Actual Outcome as % of Original Budget | Restated Audited Outcome |
| | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand | Rand |
| **Cash flow from operating activities** | | | | | | | | | |
| Ratepayers and other | 233 905 159 | 251 478 903 | 485 384 062 | 485 384 062 | 196 465 990 | (288 918 072) | 40 % | 84 % | 345 070 364 |
| Interest | - | 21 387 242 | 21 387 242 | 21 387 242 | 22 297 968 | 910 726 | 104 % | DIV/0 % | 19 900 479 |
| Suppliers and employees | 297 771 840 | 308 177 325 | 605 949 165 | 605 949 165 | 629 647 467 | 23 698 302 | 104 % | 211 % | 270 561 835 |
| Finance charges | - | 5 951 484 | 5 951 484 | 5 951 484 | 4 311 190 | (1 640 294) | 72 % | DIV/0 % | 909 500 |
| Transfers and Grants | - | 8 256 508 | 8 256 508 | 8 256 508 | 10 878 040 | 2 621 532 | 132 % | DIV/0 % | 13 513 473 |
| **Net cash flow from/used operating activities** | **531 676 999** | **595 251 462** | **1 126 928 461** | **1 126 928 461** | **863 600 655** | **(263 327 806)** | **77 %** | **162 %** | **649 955 651** |
| **Cash flow from investing activities** | | | | | | | | | |
| Decrease (increase) in non-current investments | - | - | - | - | (276 874) | (276 874) | DIV/0 % | DIV/0 % | 329 394 |
| **Net cash flow from/used investing activities** | **-** | **-** | **-** | **-** | **(276 874)** | **(276 874)** | **DIV/0 %** | **DIV/0 %** | **329 394** |
| **Cash flow from financing activities** | | | | | | | | | |
| Borrowing long term/refinancing | - | - | - | - | 12 680 957 | 12 680 957 | DIV/0 % | DIV/0 % | 3 379 306 |
| Increase (decrease) in consumer deposits | - | - | - | - | 45 371 | 45 371 | DIV/0 % | DIV/0 % | 18 503 |
| **Net cash flow from/used financing activities** | **-** | **-** | **-** | **-** | **12 726 328** | **12 726 328** | **DIV/0 %** | **DIV/0 %** | **3 397 809** |
| **Net increase/(decrease) in cash held** | **531 676 999** | **595 251 462** | **1 126 928 461** | **1 126 928 461** | **876 050 109** | **(250 878 352)** | **78 %** | **165 %** | **653 682 854** |
| Cash/cash equivalents at the year begin: | | | | | 31 884 337 | | | | 25 637 509 |
| **Cash/cash equivalents at the year end:** | **531 676 999** | **595 251 462** | **1 126 928 461** | **1 126 928 461** | **907 934 446** | **(250 878 352)** | **81 %** | **171 %** | |